



**NAVAL
POSTGRADUATE
SCHOOL**

MONTEREY, CALIFORNIA

THESIS

**EXAMINATION OF THE TECHNICAL AND CULTURAL
EFFECT OF THE EVOLVING SERVICE CONTRACTING
MODELS ON GOVERNMENT AND INDUSTRY**

by

Janine La Bastille

September 2005

Thesis Advisor:
Co-Advisor:

Brad Naegle
Marshall Engelbeck

Approved for public release; distribution is unlimited.

THIS PAGE INTENTIONALLY LEFT BLANK

{PRIVATE }{PRIVATE }		REPORT DOCUMENTATION PAGE		Form Approved OMB No. 0704-0188	
Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instruction, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington, VA 22202-4302, and to the Office of Management and Budget, Paperwork Reduction Project (0704-0188) Washington DC 20503.					
1. AGENCY USE ONLY (Leave blank)		2. REPORT DATE September 2005		3. REPORT TYPE AND DATES COVERED Master's Thesis	
4. TITLE AND SUBTITLE: Examination of the Technical and Cultural Effect of the Evolving Service Contracting Models on Government and Industry				5. FUNDING NUMBERS	
6. AUTHOR (S) Janine La Bastille					
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) Naval Postgraduate School Monterey, CA 93943-5000				8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING / MONITORING AGENCY NAME(S) AND ADDRESS(ES) N/A				10. SPONSORING/MONITORING AGENCY REPORT NUMBER	
11. SUPPLEMENTARY NOTES The views expressed in this thesis are those of the author and do not reflect the official policy or position of the U.S. Department of Defense or the U.S. Government.					
12a. DISTRIBUTION / AVAILABILITY STATEMENT Approved for public release; distribution is unlimited.				12b. DISTRIBUTION CODE	
13. ABSTRACT (maximum 200 words) This thesis researched the provision of contractor technical support services for the architecture, integration, acquisition, and support of integrated and interoperable information solutions to support the national defense and the delivery of specific systems. The support services required by the Government in the functional areas of Program Management, Systems Engineering, Logistics, Installations, and Test & Evaluation enable the Government to effectively and efficiently fulfill its mission. The current transition to Performance Based Service Acquisition (PBSA) and Multiple Award Contracts (MACs) have profound impact on program offices, and many organizations are venturing concurrently into these strategies for the first time. The intent of PBSA is "...to maximize performance, innovation, and competition - often at a savings." MACs are intended to benefit Government and industry by helping to ensure healthy competition and fair and reasonable contract prices. This thesis will examine the impact of PBSA and MAC contracting strategies on the Government program offices, along with the inherent cultural effects on both Government and industry.					
14. SUBJECT TERMS Performance Based Service Acquisition; Multiple Award Contracts; Contractor Technical Support Services				15. NUMBER OF PAGES 125	
				16. PRICE CODE	
17. SECURITY CLASSIFICATION OF REPORT Unclassified	18. SECURITY CLASSIFICATION OF THIS PAGE Unclassified	19. SECURITY CLASSIFICATION OF ABSTRACT Unclassified	20. LIMITATION OF ABSTRACT UL		

THIS PAGE INTENTIONALLY LEFT BLANK

Approved for public release; distribution is unlimited

**EXAMINATION OF THE TECHNICAL AND CULTURAL EFFECT OF THE
EVOLVING SERVICE CONTRACTING MODELS ON GOVERNMENT AND
INDUSTRY**

Janine La Bastille
Civilian, Space and Naval Warfare Systems Command
B. S., University of the State of New York, 1987
MSA, Central Michigan University, 1989

Submitted in partial fulfillment of the
requirements for the degree of

MASTER OF SCIENCE IN SYSTEMS ENGINEERING

from the

**NAVAL POSTGRADUATE SCHOOL
September 2005**

Author: Janine La Bastille

Approved by: Brad R. Naegle
Thesis Advisor

Marshall Engelbeck
Associate Advisor

Frank E. Shoup
Director, Wayne Meyer Institute of Systems
Engineering

THIS PAGE INTENTIONALLY LEFT BLANK

ABSTRACT

This thesis researches the provision of contractor technical support services for the architecture, integration, acquisition, and support of integrated and interoperable information solutions to support the national defense and the delivery of specific systems. The support services required by the Government are in the functional areas of Program Management, Systems Engineering, Logistics, Installations, and Test & Evaluation. These functions enable the Government to effectively and efficiently fulfill its mission.

The current transition to Performance Based Service Acquisition (PBSA) and Multiple Award Contracts (MACs) have profound impact on program offices, and many organizations are venturing concurrently into these strategies for the first time. The intent of PBSA is "...to maximize performance, innovation, and competition - often at a savings." MACs are intended to benefit Government and industry by helping to ensure healthy competition and fair and reasonable contract prices.

This thesis examines the impact of PBSA and MAC contracting strategies on the Government program offices, along with the inherent cultural effects on both Government and industry.

THIS PAGE INTENTIONALLY LEFT BLANK

TABLE OF CONTENTS

I.	INTRODUCTION	1
A.	PREFACE	1
1.	Purpose	1
2.	Benefits of Research	2
3.	Research Approach	2
B.	RESEARCH QUESTIONS	3
C.	ORGANIZATION OF THESIS	4
D.	METHODOLOGY	5
E.	ASSUMPTIONS AND LIMITATIONS	6
II.	BACKGROUND	7
A.	INTRODUCTION	7
B.	HISTORY	7
C.	DEFINITIONS	15
1.	Performance Based Service Acquisition (PBSA):	15
2.	Multiple Award Contracts (MACs):	15
D.	CHAPTER SUMMARY	16
III.	RESEARCH	17
A.	INTRODUCTION	17
B.	BACKGROUND	17
C.	SURVEYS	17
1.	Government Representatives	17
a.	Do You Utilize Technical Support Contractor Services?	17
b.	If So, for What Functions or in What Capacity?	18
c.	How Is the Decision Made by Government to Utilize These Services, to the Extent and for the Purposes It Does?	18
d.	What Are the Differences Between Government and Industry Work Product? ...	18
e.	What Is the Process and Frequency to Re-Examine the Need and Usage for Contractors?	18
f.	How Do You Obtain Contractor Support? ...	18
g.	How Do You Interact With Those Personnel and Receive the Specified Services and Deliverables?	19
h.	How Do You Evaluate the Success of Those Services and the Benefit to the Government? How Do You Convey That Level of Success to the Performer? Is	

	There Any Method to Quantify the Return on Investment?	19
i.	What Other Experiences Do You Have With Contracted Technical Support? (For Example, Under What Situations or Through What Types Of Contracts?) Are You Familiar With Performance Based Services Contracts or Multiple Award Contracts? How Have/Will Either of These Contract Methods Effect Program Execution or How You Perform Your Job? Is There Quantification as to the Effect These Contract Methods Has or Will Have on Your Program Office?	20
2.	Industry Representatives	20
a.	What Extent of Your Business is with Federal Government, Specifically with Dept of Defense?	20
b.	Is Your Company Large or Small Business?	20
c.	What Types of Technical Support Services Do You Provide? (What Functions or in What Capacity)	21
d.	How Is the Decision Made by Government to Utilize These Services, to the Extent and for the Purposes It Does?	21
e.	What Are the Differences Between Government and Industry Work Product? ...	21
f.	What Government Process Are You Aware of to Re-Examine the Need and Usage for Your Services?	21
g.	How Do You Interact With the Pertinent Government Personnel and Provide the Specified Services and Deliverables?	21
h.	How Do You Evaluate the Success of Those Services and the Benefit to the Government? How Does Government Convey That Level of Success to You as the Performer?	22
i.	What Other Experiences Do You Have With Providing Contracted Technical Support? (For Example, Under What Situations or Through What Types of Contracts?)	22
j.	Are You Familiar With Performance Based Services Contracts or Multiple Award Contracts? How Have/Will Either of	

	<i>These Contract Methods Effect Your Decisions on What Tasks to Compete for or How You Perform Your Job? Is There Quantification as to the Effect These Contract Methods Has or Will Have on Your Company?</i>	<i>22</i>
3.	<i>Respondent Population</i>	<i>23</i>
a.	<i>Government Population</i>	<i>23</i>
b.	<i>Industry Population</i>	<i>23</i>
4.	<i>Literature Review</i>	<i>23</i>
D.	<i>CHAPTER SUMMARY</i>	<i>24</i>
IV.	<i>DATA</i>	<i>25</i>
A.	<i>INTRODUCTION</i>	<i>25</i>
B.	<i>SURVEY RESPONSES</i>	<i>25</i>
1.	<i>Government Respondents</i>	<i>25</i>
a.	<i>Do You Utilize Technical Support Contractor Services?</i>	<i>26</i>
b.	<i>If So, for What Functions or in What Capacity?</i>	<i>26</i>
c.	<i>How Is the Decision Made by Government to Utilize These Services, to the Extent and for the Purposes It Does?</i>	<i>27</i>
d.	<i>What Are the Differences Between Government and Industry Work Product? ...</i>	<i>28</i>
e.	<i>What Is the Process and Frequency to Re-Examine the Need and Usage for Contractors?</i>	<i>30</i>
f.	<i>How Do You Obtain Contractor Support? ...</i>	<i>32</i>
g.	<i>How Do You Interact With Those Personnel and Receive the Specified Services and Deliverables?</i>	<i>32</i>
h.	<i>How Do You Evaluate the Success of Those Services and the Benefit to the Government? How Do You Convey That Level of Success to the Performer?</i>	<i>34</i>
i.	<i>Is There Any Method to Quantify the Return on Investment?</i>	<i>36</i>
j.	<i>What Other Experiences Do You Have With Contracted Technical Support? (For Example, Under What Situations or Through What Types of contracts?)</i>	<i>37</i>
k.	<i>Are You Familiar With Performance Based Services Contracts or Multiple Award Contracts?</i>	<i>37</i>

1.	How Have/Will Either of These Contract Methods Effect Program Execution or How You Perform Your Job?	38
m.	Is There Quantification as to the Effect These Contract Methods Has or Will Have on Your Program Office?	41
2.	Industry Respondents	42
a.	What Extent of Your Business Is With Federal Government, Specifically With Department of Defense?	43
b.	Is Your Company Large or Small Business?	43
c.	What Types of Technical Support Services Do You Provide? (What Functions or in What Capacity)	43
d.	How Is the Decision Made by Government to Utilize These Services, to the Extent and for the Purposes It Does?	44
e.	What Are the Differences Between Government and Industry Work Product? ...	44
f.	What Government Process Are You Aware of to Re-examine the Need and Usage for Your Services?	45
g.	How Do You Interact With the Pertinent Government Personnel and Provide the Specified Services And Deliverables?	47
h.	How Do You Evaluate the Success of Those Services and the Benefit to the Government?	49
i.	How Does Government Convey That Level of Success to You as the Performer?	51
j.	What Other Experiences Do You Have With Providing Contracted Technical Support? (For Example, Under What Situations or Through What Types of Contracts?)	51
k.	Are You Familiar With Performance Based Services Contracts or Multiple Award Contracts?	51
l.	How Have/Will Either of These Contract Methods Effect Your Decisions on What Tasks to Compete for or How You Perform Your Job?	52
m.	Is There Quantification as to the Effect These Contract Methods Have or Will Have on Your Company?	54
C.	CHAPTER SUMMARY	55

V.	DATA ANALYSIS	57
A.	INTRODUCTION	57
B.	SURVEY RESULTS	57
1.	Government Respondents	57
a.	<i>How Is the Decision Made by Government to Utilize These Services, to the Extent and for the Purposes It Does?</i>	57
b.	<i>What Are the Differences Between Government and Industry Work Product? ...</i>	57
c.	<i>What Is the Process and Frequency to Re-Examine the Need and Usage for Contractors?</i>	58
d.	<i>How Do You Obtain Contractor Support? ...</i>	58
e.	<i>How Do You Evaluate the Success of Those Services and the Benefit to the Government? How Do You Convey That Level of Success to the Performer?</i>	58
f.	<i>Is There Any Method to Quantify the Return on Investment?</i>	59
g.	<i>How Have/Will Either of (PBSA or MACs) Effect Program Execution or How You Perform Your Job?</i>	59
h.	<i>Is There Quantification as to the Effect These Contract Methods Have or Will Have on Your Program Office?</i>	60
2.	Industry Respondents	60
a.	<i>How Is the Decision Made by Government to Utilize These Services, to the Extent and for the Purposes It Does?</i>	60
b.	<i>What Are the Differences Between Government and Industry Work Product? ...</i>	60
c.	<i>What Government Process Are You Aware of to Re-examine the Need and Usage for Your Services?</i>	61
d.	<i>How Do You Evaluate the Success of Those Services and the Benefit to the Government? How Does the Government Convey That Level of Success to You as the Performer?</i>	61
e.	<i>How Have/Will Either of (PBSA Or MACs) Effect Your Decisions on What Tasks to Compete for or How You Perform Your Job?</i>	62
C.	CHAPTER SUMMARY	62
VI.	CASE STUDY	65
A.	INTRODUCTION	65

B.	PREFACE	65
C.	USE OF CONTRACT SUPPORT	68
D.	CONTRACT STRATEGY	70
E.	COMPETITION	73
F.	CONTRACT TYPE	73
G.	CONTRACT STRATEGY RESULT	76
H.	CONTRACT TEAM LEADER	77
I.	POST-PMTO ENVIRONMENT	78
J.	CHAPTER SUMMARY	81
VII.	CONCLUSIONS AND RECOMMENDATIONS	83
A.	INTRODUCTION	83
B.	CONCLUSIONS	83
1.	Government Respondents	83
a.	<i>How Is the Decision Made by Government to Utilize These Services, to the Extent and for the Purposes It Does?</i>	83
b.	<i>What Are the Differences Between Government and Industry Work Product? ...</i>	84
c.	<i>What Is the Process and Frequency to Re-Examine the Need and Usage for Contractors?</i>	84
d.	<i>How Do You Obtain Contractor Support? ...</i>	85
e.	<i>How Do You Evaluate the Success of Those Services and the Benefit to the Government? How Do You Convey That Level of Success to the Performer?</i>	85
f.	<i>Is There Any Method to Quantify the Return on Investment?</i>	86
g.	<i>How Have/Will Either of (PBSA or MACs) Effect Program Execution or How You Perform Your Job?</i>	86
2.	Industry Respondents	87
a.	<i>How Is the Decision Made by Government to Utilize These Services, to the Extent and for the Purposes It Does?</i>	87
b.	<i>What Government Process Are You Aware of to Re-examine the Need and Usage Your Services?</i>	88
c.	<i>How Do You Evaluate the Success of Those Services and the Benefit to the Government? How Does the Government Convey That Level of Success to You as the Performer?</i>	88
d.	<i>How Have/Will Either of (PBSA Or MACs) Effect Your Decisions on What Tasks to</i>	

	<i>Compete for or How You Perform Your</i>	
	<i>Job?</i>	<i>89</i>
C.	RECOMMENDATIONS	91
D.	CHAPTER SUMMARY	93
APPENDIX A.	SURVEY	95
A.	FOR GOVERNMENT RESPONDENTS	95
B.	FOR INDUSTRY RESPONDENTS	96
APPENDIX B.	GLOSSARY	97
LIST OF REFERENCES	99
INITIAL DISTRIBUTION LIST	105

THIS PAGE INTENTIONALLY LEFT BLANK

LIST OF FIGURES

Figure 1.	DoD Prime Contracts for Services, FY 88-97	9
Figure 2.	DoD Prime Contracts FY 00-03	10
Figure 3.	Comparison of Purchasing by Federal Agencies, FY 2000	11
Figure 4.	Government Contracting Activity has Shifted	12
Figure 5.	The Shrinking Acquisition Workforce	13
Figure 6.	Percent of Acquisition Workforce Eligible to Retire	14
Figure 7.	SPAWAR Organization Chart, circa 1997	65
Figure 8.	SPAWAR Business Work Breakdown Structure (WBS), of 1999	71
Figure 9.	PMTO Work Breakdown Structure	72
Figure 10.	SPAWAR Organization Chart, circa 2005	79

THIS PAGE INTENTIONALLY LEFT BLANK

ACKNOWLEDGEMENT

I would like to thank my thesis advisors, Professor Brad Naegle and Professor Marshall Engelbeck for taking the time out of their busy schedules to provide feedback, assistance, and encouragement.

Professor Wally Owen, Professor Ben Roberts, and the rest of the PD-21 faculty and staff are recognized and commended for making this amazing opportunity possible for distance students who are eager to learn.

Most of all, my deepest appreciation goes to Mike, Meg, and Patrick for cheering me on and supporting me throughout this program. I look forward to filling that role for you for many years to come. May you always do well, and do good.

THIS PAGE INTENTIONALLY LEFT BLANK

I. INTRODUCTION

A. PREFACE

1. Purpose

This thesis researches the provision of contractor technical support services for the architecture, integration, acquisition, and support of integrated and interoperable information solutions to support the National defense and the delivery of specific systems. The support services required by the Government and examined in this report are in the functional areas of Program Management, Systems Engineering, Logistics, Installations, and Test & Evaluation. These functions enable the Government to effectively and efficiently fulfill its mission.

The current transition to Performance Based Service Acquisition (PBSA) and Multiple Award Contracts (MACs) have profound impact on program offices, and many organizations are venturing into these strategies concurrently and for the first time. The intent of PBSA is "...to maximize performance, innovation, and competition - often at a savings."¹ MACs are intended to benefit Government and industry by encouraging healthy competition, which should result in fair and reasonable contract prices.

This thesis examines the impact of PBSA and MAC contracting strategies on the Government program offices, along with the inherent cultural effects on both Government and industry. The focus is on the effects and impacts of reengineering the acquisition support process and not the

¹ Under Secretary of Defense, Acquisition, Technology & Logistics (USA(AT&L)), April 5, 2000

contractual intricacies of the strategies. There are some instances however, when contractual issues are so fundamental to the subject matter that they are addressed.

2. Benefits of Research

This thesis will primarily benefit Department of Defense acquisition activities and their industry counterparts in implementing, utilizing, and managing performance based service acquisition and multiple award contracts. The critical review will help acquisition decision-making regarding the most effective means of employing performance based contracting. It will also provide the ability to recognize the challenges and complexities in isolating, qualifying and quantifying an inherent aspect of work execution, which is embedded within the day-to-day routine.

3. Research Approach

The author strived to take an analytical approach by applying systems engineering theory and application to the subject matter, vice a contractual or organizational behavior approach. Reference material included overarching policy, regulation, and law as applicable to an acquisition command within the Department of the Navy; particular organizational dictums such as work breakdown structure; and composite budget and contractual data. In addition to isolating metrics garnered from pertinent history, the research uses documented observation, a survey of users and participants from Government and industry, and near-term projection on the organizational impact of embarking on these strategies. The survey had the stated objective of quantifying and qualifying the use of contractor support, along with the subtle intent to draw a cognizance and

recognition of that usage by Government entities. Although the amount and expense of Government contractor support is increasingly gathered and analyzed through many methods, the impact of "how" it is procured and managed is not. This recognition is, in itself, an objective of the research and thesis.

B. RESEARCH QUESTIONS

The thesis research consists of a review of current and relevant literature and documentation, along with a survey and interviews provided to Government and industry representatives. In order to get a wide range of feedback and perspective, effort was made to solicit responses from technical, business, contractual, and financial arenas. The respondents were from geographical locations throughout the Continental United States, and represented numerous Government and industry organizations. In order to elicit as wide a spectrum of fresh inputs as achievable, relatively few inputs were received from the author's own organization. Further, the respondents were assured anonymity in order to solicit and ensure the integrity of the responses; thus, there are no credits cited for these quotes.

Government respondents were asked their experience in utilizing technical support contractor services. Effort was made to gain a full spectrum of input from actual recipients of such support, the business and administrators of the processes, and corporate policy and strategy developers. The questions were devised to obtain a basis to evaluate the respondent's experience and knowledge in the procurement and use of these services, along with helping the individual to analyze this process.

Industry respondents were asked similar questions, however from a service-provider perspective. Both groups were encouraged to "step back" from the day-to-day engagement, and assess the process more globally and critically.

C. ORGANIZATION OF THESIS

This thesis reviews the origins and objectives of Performance Based Services Acquisition (PBSA) and Multiple Award Contracts (MACs). It also uses the experience of Space and Naval Warfare Systems Command (SPAWAR), an Echelon II Acquisition Command, as a case study of three stages of contracting strategy. Chapter I provides an introduction and the scope of the thesis. Chapter II provides the background and motivations for acquisition reform, which mandates the use of PBSA and MACs. In Chapter III, the research methodology and the survey and reference material is discussed.

Chapter IV presents the findings of the survey, from both Government and industry perspectives. The focus is on factual and empirical data. The author believes there is also value in the respondents' opinions and anecdotal evidence, which in turn might lead to further exploration and opportunity. This is followed by an analysis of the data in Chapter V, drawing comparisons between the respondent populations and with the literature research. Areas of omission, as well as conflict or affirmation of the information are found in this chapter.

Chapter VI segues into the experience of an Echelon II Acquisition Command as its contracting strategy evolves. The chapter begins with a decentralized contracting

strategy, moves through an omnibus contracting structure in 1999, and continues to the current evolution into Performance Based and Multiple Award Contracts.

Finally, Chapter VII contains the author's conclusions, recommendations, and lessons learned. There are two goals in this chapter: first, there is potential application of the findings to improve the process and end result of utilizing technical support services. Equally important is the possibility of discovering no opportunity to improve a particular process. This resultant situational awareness alone is valuable, in that it allows the organization to recognize the inefficiency.

D. METHODOLOGY

The methodology used in this thesis research consists of the following steps.

1. Conduct a comprehensive search of publications, training material, current research, thesis reports, internet-based materials and other library information resources dealing with Performance Based Service Acquisition (PBSA) and Multiple Award Contracts (MACs).

2. Research the origins and catalysts for these approaches, experiences and findings to date, and projected and expected impact and results.

3. Devise and construct a thorough survey, to collect first hand accounts and experiences from personnel representing all perspectives in executing these methods.

4. Identify the target respondent populations and solicit responses to the survey.

5. Analyze and dissect the responses for both objective and subjective trends and indicators.

6. Compare the survey findings with research findings.

E. ASSUMPTIONS AND LIMITATIONS

The author initiated the thesis from the perspective of an Echelon II Department of the Navy Acquisition Command, but ensured the survey and research encompassed all Echelons and services. The experiences of other organizations, both within and without the Department of Defense, will vary due to specific missions, organizational agility and structure, and additional factors. This thesis does not presume to challenge the root causes for adopting these initiatives, nor how they are being enacted. However, it offers insight into the impacts of the change. The author believes the measure of effectiveness, at any level, must acknowledge and incorporate the costs of institutionalizing change.

II. BACKGROUND

A. INTRODUCTION

Chapter II provides the background to allow the reader to understand the subject concepts and their origins. This chapter discusses the political and acquisition environment of the 1990's. This led to current decisions of how to satisfy the need to acquire technical support services. A brief history of acquisition reform and how performance based contracting and multiple awards became the contracting methods of choice in today's acquisition environment is presented.

B. HISTORY

... we begin a decade-long process of reinvention. We hope it will transform the habits, culture, and performance of all federal organizations. ²

For over a decade, Government as a whole and the Department of Defense in particular have grappled with acquisition reform and the challenge of moving an unwieldy bureaucracy into a more efficient mode. Where the private sector readily embraced state-of-the-art business concepts and streamlining in order to retain a market share, the public sector has lagged behind. Now, however, declining resources have provided the catalyst to provide momentum to adapt these initiatives into the public sector. James W. Fuhs provides an excellent historical perspective of the roots of one of these initiatives, Performance Based Contracting, in his thesis, "How the Implementation of Performance Based Contracting has Affected Program

² Vice President Al Gore, Town Hall Meeting, Department of Energy, July 13, 1993

Management Within the Department of Defense". This perspective is briefly recapped here for the reader's convenience, along with complementary data points. Fuhs' observations will be built upon in this paper, using the benefit of events and data gathered since he was published, and placing it in current context. The historical highlights are not intended to be all-inclusive, but are meant to frame the forces that led to today's environment.

The foundations for this current research trace to the late 1980's, and gained momentum in the early 1990's with interlocking milestones. The National Performance Review (NPR) of 1993 was the pivot point, from which the current mandates and strategies can be traced. It charted the course for a decade of change in the Government, and was based on the premise that Government's business practices were "broken". Only a thorough overhaul, from top to bottom, could repair it. Among other issues, the NPR called for cultural change within the public sector, clarification and more effective outcomes from the processes, and metrics to measure those outcomes. The Defense Acquisition Workforce Improvement Act (DAWIA) which became effective November 5, 1990, the establishment of the Defense Acquisition University, and increased training opportunities through the Defense Services Military College (DSMC) marked the Department of Defense's (DoD) concerted effort to address the NPR mandates. These steps began to address the specific training and skills that the acquisition workforce would need to modernize the Government's business practices.

This recognition and focus paralleled an increase in service contracts awarded by the DoD.³ Figure 1 is devised from data accrued through FY 1997, and graphically demonstrates the trend that service prime contracts became a more significant portion of DOD prime contracts over that decade, growing by 16 percent. Equipment prime contracts experienced a comparable decrease during this period.

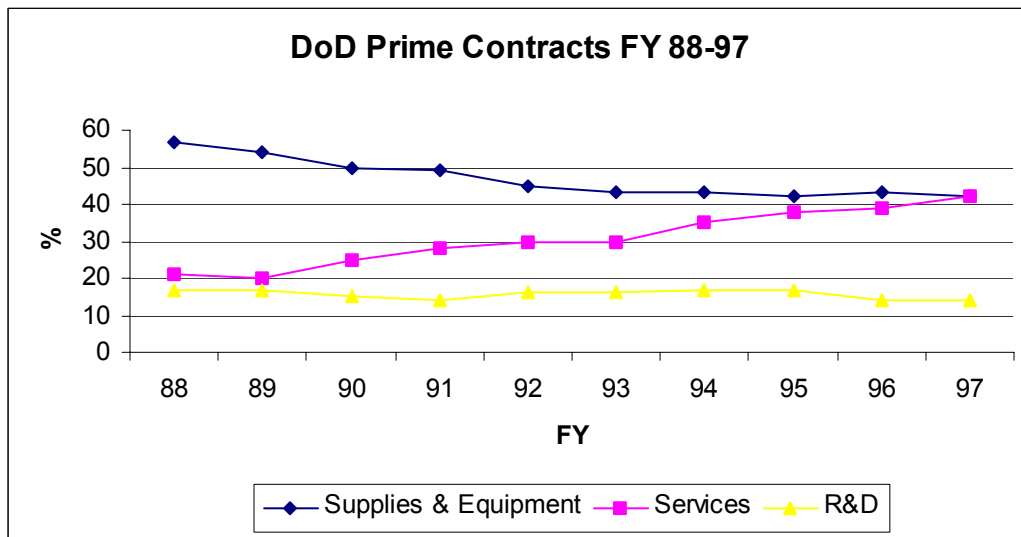


Figure 1. DoD Prime Contracts for Services, FY 88-97

The DoD prime contracts for services totaled approximately \$42 billion by FY 97, which accounted for approximately 36 percent of total Government prime contracts. It is noted that the contracted services tracked and depicted above have been increasingly complex and quickly evolving.

³ GAO/NSIAD-98-105, Defense Spending Trends and Geographical Distribution of Prime Contract Awards and Compensation, August 1998

To put the this data in perspective and continue it forward, the next chart⁴ shows that the steep increase in service prime contracts leveled off as the new decade began, and proportions between the three segments have held fairly constant through FY 2003. However, the tremendous increase in the 1990's laid the groundwork for the Government/industry relationship we have today.

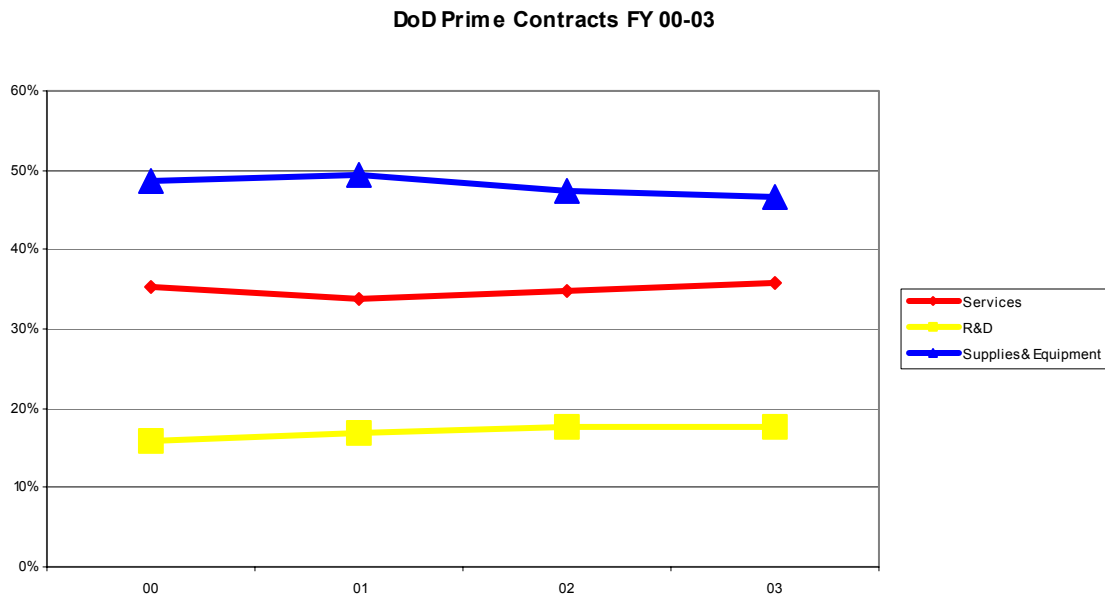


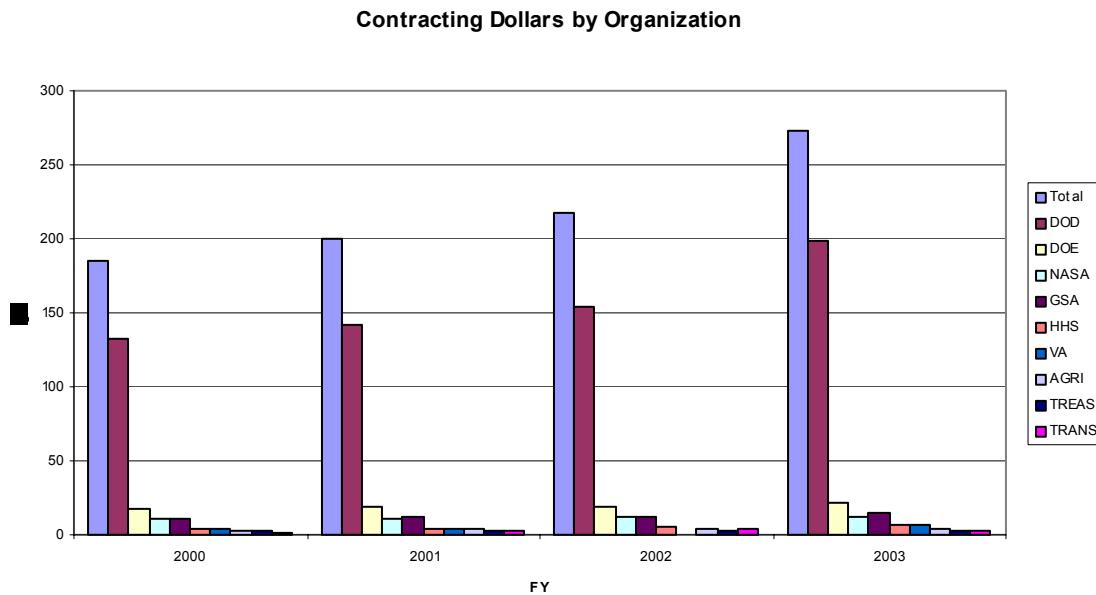
Figure 2. DoD Prime Contracts FY 00-03

The below figure presents the amount of overall contracting awarded by DoD, as compared to other Federal agencies⁵. DoD is shown as the dominant purchaser of goods and services. As such, it offers an excellent environment to study these topics. The chart only reflects the larger

⁴ Federal Procurement Data System, Federal Procurement Reports, FY 2000 through 2003. Note that the data shown here varies from the data found in the Defense Contract Action Data System and cited in GAO-03-935, for the same timeframe. Reconciliation of the data is not within the scope of this thesis, but is a matter of interest for future research.

⁵ Current Condition of Federal Contracting, May 8, 2001, Commercial Activities Panel, GAO

agencies whose procurements totaled \$185.8B; total procurements in FY 2000 totaled approximately \$204B:



Contracting Dollars by Organization, FY 00-03

Figure 3. Comparison of Purchasing by Federal Agencies, FY 2000

Figure 4 shows that the proportion directed for services has grown significantly from 28 percent to 42 percent:⁶

⁶ Current Condition of Federal Contracting, May 8, 2001, Commercial Activities Panel, GAO

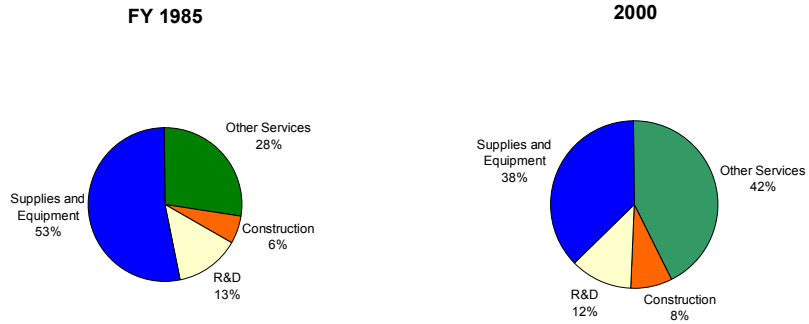


Figure 4. Government Contracting Activity has Shifted

Fuhs' historical perspective is overlaid with this context, wherein the market trends described above converged with the acquisition reform initiatives instituted in the early and mid-1990s. Among others, Vice President Gore and Secretary of Defense William Perry recognized the need for DoD and Government as a whole to embrace private sector's business practices. These are the origins of the public sector's migration to Performance Based Contracting and Multiple Award Contracts.

An additional driving force leading to the current environment is "competitive sourcing". In 1998, Deputy Secretary of Defense Dr. John Hamre declared:

We committed to compete 150,000 jobs. ...(t)he plan now is for 236,000 jobs that we are going to compete...we are very strongly committed and we've actually gone to a much greater commitment to competitive sourcing.⁷

Competitive sourcing entails identification of "inherently Governmental" functions, which must be retained

⁷ Deputy Secretary of Defense Dr. John Hamre: Press Briefing, October 8, 1998.

and performed by Government employees, and allowing industry to compete for all other functions historically executed within Government. The expectation is that outsourcing functions wherever possible would allow an infusion of best commercial practices into the public sector. It is also anticipated that the competition would intuitively result in lower costs with that adaptation of commercial innovation.

Competitive sourcing also works to meet the challenge of the shrinking acquisition workforce within the Government. The potential of this downsizing is depicted in the following graphic, derived from OPM data:⁸

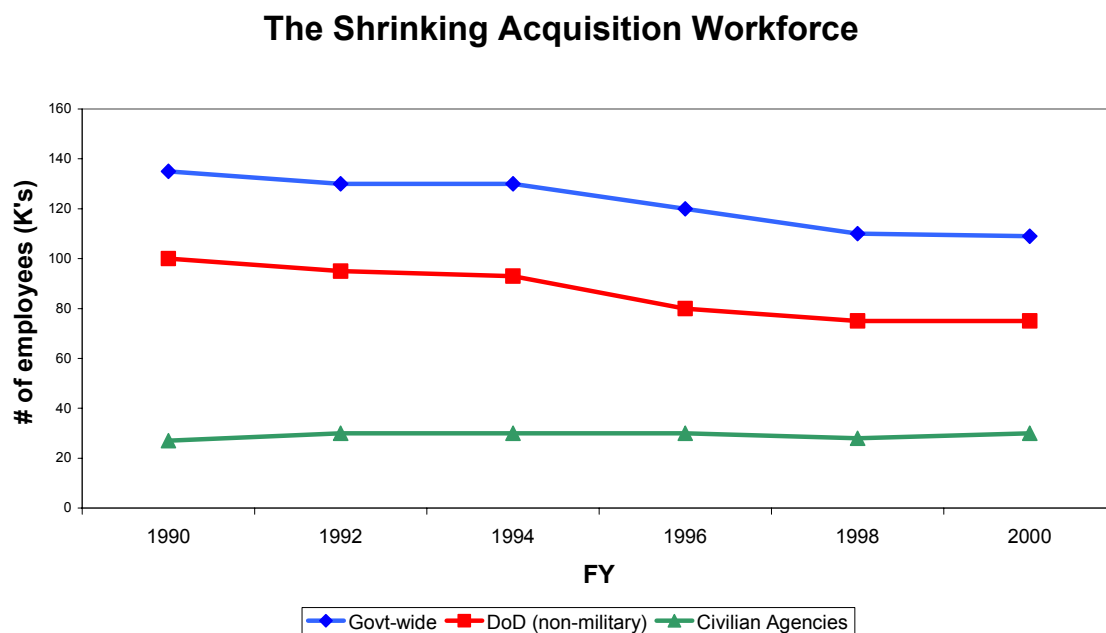


Figure 5. The Shrinking Acquisition Workforce

⁸ Current Condition of Federal Contracting, May 8, 2001, Commercial Activities Panel, GAO. Data from OPM's Central Personnel Data File

While the graphic above captures data through FY 2000, the following chart from 2001 offers a projection Government personnel retirements through post-2005:⁹

Proportion of Acquisition Workforce Eligible to Retire

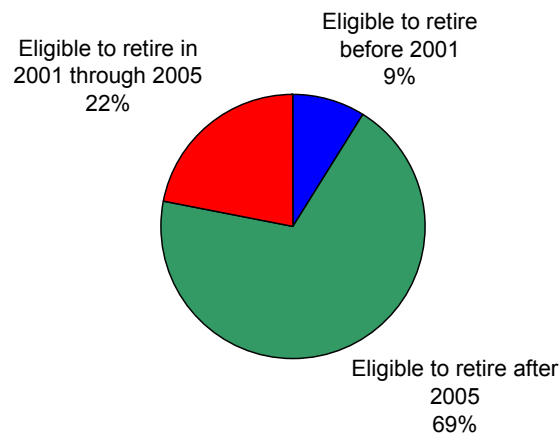


Figure 6. Percent of Acquisition Workforce Eligible to Retire

This data is offered to allow the reader to frame the scenario of the trend in a diminishing Government acquisition workforce. These retirements depict an exodus of acquisition knowledge and experience from the Government ranks. Further analysis of this data, particularly in regard to numbers and demographics related to workforce retirements, is not within the scope of this thesis.

⁹ Current Condition of Federal Contracting, May 8, 2001, Commercial Activities Panel, GAO. Data from OPM's Central Personnel Data File

C. DEFINITIONS

1. Performance Based Service Acquisition (PBSA):

The essence of PBSA is for the buyer (the Government) to determine what it needs, articulate the end product or result, and allow the provider to determine how to satisfy that need. Although this sounds rather logical and simple, it is a quantum shift from the prior long-standing practice of Government contracting. Previously, the belief was that in order to ensure the Government, and by default the taxpayer, got its "money's worth", the buyer should detail not just the end product but also the methods and specifications of how the provider should achieve it. With PBSA, the Government must clearly articulate the final product or service it expects as a result of the contract. It must do the research to select a contractor that can fulfill the stated expectation, and it must incentivize the contractor to perform and deliver. It is also critical that the Government establish clear criteria, reflected in a formal quality assurance program, by which to measure performance. It is a dramatic shift to restrain from the prior level of oversight, to the "hands off" approach which PBSA mandates.

2. Multiple Award Contracts (MACs):

Multiple Award Contracts (MAC) are the preferred method of task and delivery order contracting¹⁰. Awards of the same contract, with a minimum contract value and ceiling value, are made to several vendors. Individual orders are

¹⁰ National Defense Authorization Act for Fiscal Year 2002. Section 803

then written on the basic contract and competed among the pre-qualified contract awardees. The advantages of MACs are:

- Pre-negotiated terms and conditions, labor categories, fees, and rates
- Pre-qualified vendor pool
- Competition, which is expected to bring lower costs
- Reduced time to award of tasks

D. CHAPTER SUMMARY

The primary driving forces which led to the current environment in contracting for technical support services are recognition of the need for a qualified and certified acquisition workforce; the adoption of private sector business practices; the markedly increase in the amount and extent of contracting for these increasingly complex services; and competitive sourcing.

III. RESEARCH

A. INTRODUCTION

This chapter outlines the formulation of the survey and defines the objective of each question, along with a description of the respondent demographics. An outline of the literature review is also provided in this chapter.

B. BACKGROUND

In keeping with the intent of this thesis, the surveyed population included representatives from Government and industry, from all functional areas. Government representatives included technical and program offices; business and financial managers; contract specialists; and policy makers. Industry respondents were in counterpart positions, providing or facilitating the provision of technical support services. The respondents were from geographical locations throughout the Continental United States, and represented numerous Government and industry organizations. In order to elicit as wide a spectrum of fresh inputs as achievable, relatively few inputs were received from the author's own organization.

C. SURVEYS

1. Government Representatives

The survey provided to Government representatives is comprised of the following questions:

a. *Do You Utilize Technical Support Contractor Services?*

The intent of this question was to baseline and categorize the currency of the Government employee's familiarity and experience with utilizing technical support contractor services.

b. If So, for What Functions or in What Capacity?

This question not only collected the range of technical support services utilized, it also captured the respondent's understanding of and the ability to articulate the roles and limitation of those contractors.

c. How is the Decision Made by Government to Utilize These Services, to the Extent and for the Purposes It Does?

The response would expound both on the individual's experience and on the extent of knowledge and involvement in the process.

d. What are the Differences Between Government and Industry Work Product?

This question moves the survey focus into an exploration of the distinction in roles and responsibilities of Government and contractor employees, and the limitations inherent in Performance Based contracting in the ultimate deliverable or work product.

e. What is the Process and Frequency to Re-Examine the Need and Usage for Contractors?

Again, this query delves into the respondent's involvement and understanding of MACs and PBSA contracts. It would be expected that the more instrumental the respondent is in the management of Performance Based program execution, the more requirements-oriented the response, vice level of effort.

f. How Do You Obtain Contractor Support?

The objective of this question is to measure the respondent's understanding of his or her own organization and its business processes.

g. How Do You Interact with Those Personnel and Receive the Specified Services and Deliverables?

There are pre-award and post-award aspects to this question. As the organization moves to PB and MAC contracting, it is of interest to measure the awareness of Government personnel in keeping industry at "arms length" in order to permit fair competition during the pre-award phase. After award, the measure becomes more focused on the Performance Based criteria and fulfillment of the Performance Work Statement, vice level of effort contracts.

h. How Do You Evaluate the Success of Those Services and the Benefit to the Government? How Do You Convey That Level of Success to the Performer? Is There any Method to Quantify the Return on Investment?

This area investigates the respondent's understanding of the Quality Assurance Plan through which the technical support services are evaluated. It is a measure of how well the employee grasps the fundamentals of PB contracting.

- i. What Other Experiences Do You Have with Contracted Technical Support? (For Example, Under What Situations or Through What Types Of Contracts?) Are You Familiar with Performance Based Services Contracts or Multiple Award Contracts? How Have/Will Either of These Contract Methods Effect Program Execution or How You Perform Your Job? Is There Quantification as to the Effect These Contract Methods Has or Will Have on Your Program Office?*

These questions return to gaining an understanding of the individual's experience and involvement in receiving these services on behalf of the Government.

2. Industry Representatives

Industry representatives were asked the following questions:

- a. What Extent of Your Business is with Federal Government, Specifically with Dept of Defense?*

The companies polled have varying degrees of business base with Federal Government, so this question measures that financial dependency.

- b. Is Your Company Large or Small Business?*

The ability for a business to compete for, win, and execute tasks and contracts is heavily influenced and limited by the size of that company. This contributes to the company's ability and the amount of resources available to comply with the latest procedural and regulatory requirements. A small business certainly benefits from various set-aside criteria. However, that same small business could be at a deficit when competing against large businesses in a full and open MAC, without the aid of a larger organic support structure.

c. What Types of Technical Support Services Do You Provide? (What Functions or in What Capacity)

It was of interest to identify commonalities for categorizing purposes.

d. How is the Decision Made by Government to Utilize These Services, to the Extent and for the Purposes It Does?

This question pertains to the types of technical support services the subject company provides. It is intended to explore the company's premeditation in filling Government's need and competing for a market share.

e. What are the Differences Between Government and Industry Work Product?

This question moves the survey into an exploration of the different roles and responsibilities of Government and contractor employees, and the limitations inherent in Performance Based contracting in the ultimate deliverable or work product.

f. What Government Process are You Aware of to Re-Examine the Need and Usage for Your Services?

Again, this query delves into the respondent's involvement and understanding of MACs and PB contracts. It also addresses the extent to which Government has communicated its knowledge and application of these contracting strategies.

g. How Do You Interact with the Pertinent Government Personnel and Provide the Specified Services and Deliverables?

There are pre-award and post-award aspects to this question. It is incumbent on the Government entities to set the tone in Government/industry communications as it moves into awarding and using MACs and PB contracts. This

question is designed to provide insight to whether the actual change in behavior, from level of effort taskings, is taking place.

h. How Do You Evaluate the Success of Those Services and the Benefit to the Government? How Does Government Convey That Level of Success to You as the Performer?

This question delves into the respondent's understanding of the Quality Assurance Plan through which the technical support services are procured. It is a measure of how well the employee grasps the fundamentals of PB and how the Government will evaluate the contractor's success.

i. What Other Experiences Do You Have With Providing Contracted Technical Support? (For Example, Under What Situations or Through What Types of Contracts?)

This question returns to gaining an understanding of the individual's or company's experience and involvement in providing these services.

j. Are You Familiar with Performance Based Services Contracts or Multiple Award Contracts? How Have/Will Either of These Contract Methods Effect Your Decisions on What Tasks to Compete for or How You Perform Your Job? Is There Quantification as to the Effect These Contract Methods Has or Will Have on Your Company?

These questions measure the respondent's familiarity with the subject matter and solicit input as to the quantifiable impact of these contracting methods on industry.

3. Respondent Population

a. Government Population

Completed surveys were received from government personnel in the following career fields and functions: Program Manager, Contracting Officer Representative (COR), Engineer, Logistician, Contract Officer, Contract Specialist, Acquisition Manager, Business/Finance Manager, and Small Business Advocate. All respondents have a role and perspective in procuring, utilizing, or administering technical support contractor services.

b. Industry Population

Completed surveys were received from industry personnel in the following career fields and functions: Program Manager, Contracts Manager, Technical Points of Contact (TPOC), Proposal Manager, Engineer, Logistician, Acquisition Specialist, Business/Finance Manager. All respondents have a role and perspective in providing or administering technical support contractor services. Twenty-eight percent of those surveyed are in the position to commit their company to proposing on MAC and PB contracts, 43 percent are able to assess the financial and workload variance from cost proposals for previous methods of contracting, and 57 percent are in direct charge positions, with first-hand responsibility in producing Performance Based work products. The population is approximately evenly divided between large and small businesses.

4. Literature Review

The author utilized numerous routes to gain current and thorough understanding of the subject matter. Among

the first sources to be tapped was the Dudley Knox Library of the Naval Postgraduate School. The author accessed Fuhs' earlier thesis within the Dudley Knox library, which was an excellent foundation on which to build. The author also researched current publications; periodicals; instructional material; anecdotal and empirical evidence; legislation, regulation, and policy. This research was largely predicated on using electronic searches by subject matter; publications and news articles; extensive utilization of both public and Government libraries; and programmatic briefing and issue documents. The topic is pertinent to the author's present position as the Command Contracts Program Manager, so there is firsthand knowledge and experience with the evolution of the organization's technical support services contracting strategies. The training and educational requirements inherent with staying current in this position also have contributed to the knowledge base.

D. CHAPTER SUMMARY

This chapter decomposed the demographics of the survey respondents into the first levels of Government and industry personnel, then secondary levels by functional groupings. An in-depth analysis of the resultant data discussed in this chapter is presented in Chapter IV. The chapter also discussed the literature research, along with the pertinence of the subject matter.

IV. DATA

A. INTRODUCTION

This chapter presents the responses to the survey questions presented in Chapter III, from both the Government and industry populations. It also describes the respondent demographics, with analysis into the functional and response groupings. There is no influence on these responses by the author; the inputs are captured and excerpted as they were presented. Although there are many direct quotes throughout this chapter, the respondents were assured anonymity in order to elicit and ensure the integrity of the responses; thus, there are no credits cited for these quotes.

B. SURVEY RESPONSES

Survey responses were received from 22 government respondents and 14 contractor respondents. The respondents were from geographical locations throughout the Continental United States, and represented numerous Government and industry organizations. In order to elicit as wide a spectrum of fresh inputs as achievable and to encourage objectivity, minimal inputs were received from the author's own organization.

1. Government Respondents

The Government population included representatives from the following career fields and functions: Program Manager, Contracting Officer Representative (COR), Engineer, Logistician, Contracting Officer, Contract Specialist, Acquisition Manager, Business/Finance Manager, and Small Business Advocate. All respondents have a role

and perspective in procuring, utilizing, or administering technical support contractor services. Questions and responses are as follows:

a. Do You Utilize Technical Support Contractor Services?

All respondents answered in the positive.

b. If So, for What Functions or in What Capacity?

The number of response per functional area are presented:

Function	# Of Events (Users/Recipients)
System Engineering	6
Program Management	6
Logistics Support	6
Financial Management	8
Administrative	9
Strategic Planning	2
Fleet Liaison	4
Acquisition Support	4
Requirements Definition	2
Installation Support	2
ASW Expertise	2
Contract Management within Tech Code	2
Non-inherently Government Contracting Functions *	4
R&D / Enhance Small Business Capabilities Database	1

* Described as support for paperless process: (1) paperless distribution of documentation to all parties (industry and Government), (2) scanning, and (3) use of the contractor's maintenance of an electronic file room for the Directorate. Other functions were described as reviews and comparisons of multiple databases to ensure all documents were correctly entered into the appropriate databases, and the pull and sort of data for various reports.

c. How Is the Decision Made by Government to Utilize These Services, to the Extent and for the Purposes It Does?

1. Twenty seven percent of the respondents indicated that the current efforts had been contracted under prior contracts, so were continued under the current vehicles, but offered no explanation as to the rationale or analysis as to WHY it was outsource. One of these offered, "...Program office senior leadership by identifying requirements and what can be outsourced", but did not provide insight as to why outsourcing was preferred or required.

2. Sixty four percent of the respondents indicated insufficient Government workforce, through attrition or downsizing, to perform and execute the work. Various descriptions use wording such as, "...necessary to augment..." and "...delta workload that Government personnel could not cover..."

3. Twenty seven percent of the inputs made reference the use of contracted personnel as Subject Matter Experts (SMEs) for specialized skills or expertise not available from the Government workforce

4. One respondent reported the need arose from a partnership with another Government agency, where "...[we] had the existing contract, they had the money." The respondent did not delve further into the rationale for contracting, vice performing the work in-house.

5. Thirty six percent offered some analysis and quantification leading to the decision to contract for certain functions. One of these inputs is captured here:

Tightened budgets and manpower restraints forced (the Command) to look for a more effective use of limited resources. Given a limit on Full Time Equivalent (FTE) personnel and a (Department) trend to reduce the (pertinent) career field, (the Command) elected to transfer some non-inherently Governmental work to contractor support. From 1998 to 2005 the Directorate has reduced FTE from 65 to 56. The contractor employed personnel to perform under this contract. Through automation initiatives, the contractor support has been further reduced to 1.5 man-years for approximately \$600K.

d. What are the Differences Between Government and Industry Work Product?

Opinions differed on this question, ranging from "no difference", to "higher quality from industry", suggesting a value added from contracting the effort out, to "...lower quality since industry does not the ultimate responsibility for the product". It is noted that 45 percent of the inputs indicated an awareness of inherently Governmental responsibilities. Several of the responses are reflected as follows:

1. "Industry does not have to be accountable for the quality of goods and services produced."

2. "I prefer to hire "industry" contractor support services in non-management roles that perform tasks in support of management."

3. "One thing in favor of the contractors is their flexibility and ability to find and hire personnel with specialist expertise."

4. "In addition to freeing manpower for higher-level decision making vice administrative functions, contractor support is dedicated 100 percent to the

contracted functions. By comparison a Government employee has a responsibility to attend training, participate in climate surveys, and other activities that support the general mission of the organization, but not the specific functions listed in a position description."

5. "As a general rule the industry product is a higher quality and have more timely deliverables. This might or might not be due to contract incentives."

6. "My management philosophy is to use Government personnel only for functions that cannot be typically performed by contracted personnel as identified by either statute, higher-level policy, or by critical "management" functions."

7. "In some instances there is little difference between the work product of the Government and contractor."

8. "Generally, the contractors gather the information and consolidate into the required format. The Government, with contractor input, makes the final decision on the work produce before it is submitted."

9. "Sometimes there is little or no oversight by the Government Technical personnel and work product is submitted with no chop by the Government. This has been an accepted practice by (management). When brought to their attention, they did not seem concerned that the contractors appear to be acting as Government personnel."

10. "The Government is in a management role, i.e., review funding status, review and determine requirements, do long range planning."

11. "The system engineering task works closely with the Government and provides subject matter expertise as to technical decisions industry wants to make." (NOTE: The author finds this comment of particular interest)

12. "The task would provide analysis and recommendation to the Government team as to whether (a decision) offered a feasible change."

13. "In the case of logistics, the industry team produces products such as training materials, documentation, those items which are required before an install might be considered complete or before additional testing could occur."

14. "Have a contractor to do the specific tasks insures that they get done because that is their dedicated task. The price difference is almost 50 percent less since lower priced administrative personnel are utilized."

e. What is the Process and Frequency to Re-Examine the Need and Usage for Contractors?

1. Eighty two percent of respondents indicate an annual review, in concert with the fiscal year spend-plan review for the upcoming year, generally begun in March.

2. One reported an additional mid-year review.

3. One reported a review at the completion of the three year contract period, when there will be "...an assessment ... to determine if more services are needed, or whether we have a usable product."

Further comments cited the following:

- "Every effort is made to control contractor growth and innovative ideas are practiced for that control."

- "It is attempted to cross train personnel for increased flexibility during high work periods and low work periods between programs."

- "We actually sit down with our field activities (and contractors are present) as we go through workload planning."

- "I review the mix of Government personnel and contractor support, matching them with functions, and weighing against cost."

- "We examine the need for contractors and the number that are required to meet our requirements. In some instances, there is a need to reduce the number of contractors, but due to the ties to the individual, the effort is not eliminated or reduced."

- "On a longer term, (the organization) periodically conducts competition for support services."

- "The highest rated item from an employee survey was having a support contractor to do the clerical tasks so personnel could do their job... Each year the amount of work performed in the previous year and the amount of work remaining for the future is reviewed. Any new automation processes that might have reduced the labor are examined. The need will always be there as long as the Government chooses to no longer hire clerical help for the floor staff."

f. How Do You Obtain Contractor Support?

All respondents referenced contract vehicles "approved" and recognized within their Command. One respondent acknowledged the following:

Most technical support is obtained from (other than Command-wide) contracts. They were used by the Program Office as a way to get to individuals that they wanted on the technical team. They are often retired or former military officers/enlisted that PM has worked with in the past. I am only aware of one technical contractor that supports the program that did not have prior experience with someone on the Government technical side. In some instances the individuals were told which companies they should talk to in order to get a position with the program office. ...(Command-wide contracts) are also used to obtain technical support. Again they were used to get to individuals that the Government technical team had worked with. When criticism of these practices were raised to management, they were met with resistance and rarely did it change the contracting process.

g. How Do You Interact with Those Personnel and Receive the Specified Services and Deliverables?

There were several interpretations of these questions, with responses as follows:

1. Fifty five percent cited direct and/or daily contact between Government and contractor personnel.

2. Sixty four percent cited receipt and review of deliverables.

3. Twenty seven percent indicate receipt and review of Monthly Status Reports (MSRs).

4. Thirty six percent reference the use of a "leader contractor" whom Government personnel interact with to manage the contractor workforce. It was unclear whether the "lead contractor" was an individual or a company,

charged formally or informally overseeing the other contractor(s). Inputs are excerpted as follows:

- "COR primarily interacts with contractor Program Manager to discuss various tasks needed and priorities. PM then assigns work to contractor personnel."

- "I hire a senior contractor support management individual who is responsible for organizing activities across the subcontractors and among (other contract) personnel. The latter is a bit tricky since there is no "official" tie between the different contracting vehicles."

- "We have a lead contractor that we interface with on each contract awarded."

- "In the end, I hold the senior managers from each contracting vehicle accountable for meeting the task orders and executing their budget with my guidance."

5. Twenty seven percent made reference to the complication in keeping distinction between Government and contractor personnel, due to the workforces being co-located.

6. Forty six percent cited the role of the Contracting Officer's Representative (COR):

A single Contracting Officer's Representative (COR) is assigned to be the liaison between the requirements generator and the provider (contractor). The COR is the single voice to pass on specific tasks, adjust priorities and evaluate performance. This is especially important when the contractor co-exists in the same workspace. Performance is reviewed and discussed with the contractor at least annually as part of the Contractor Performance Assessment Reporting System (CPARS) requirements. At the end of the contract period of performance, (the Directorate) has re-evaluated the need for the functions performed by the contractor and has reduced the requirement in the follow-on solicitation.

7. One responded: "I receive a monthly written report and we perform an annual performance review."

h. How Do You Evaluate the Success of Those Services and the Benefit to the Government? How Do You Convey That Level of Success to the Performer?

The responses presented little cohesive planning or understanding of either a process of evaluating the services received or a value in providing ongoing feedback to industry. The exception is cited here:

COR has various measures for timeliness, accuracy, completeness, re-work, level of complexity. Some daily, some randomly.

No examples of metrics were offered by the respondent. Other comments are excerpted here:

1. "Through execution of the service as defined in the statements of work."

2. "Admittedly, this is a very loose process with limited metrics."

3. "We really don't. We take whatever quality of product we get and then clean it up to meet our needs."

4. "We don't provide much feedback which causes corrective action on the part of the contractor unless there are some other issues."

5. "...via the issuance of incentive fees."

6. "...evaluate success and benefit by being able to accomplish our job."

7. "Bi-annual or annual evaluations are done on the benefit of the services and deliverables provided to the Government."

8. "Success is based on our ability to get the work done on time and that it is of high quality."

9. "Success is conveyed to the contractor through the Contractor Performance Appraisal Reporting System (CPARS)."

10. "In cases of special excellence, a letter will be drafted to the company, or sometimes, informally through email."

11. "Feedback is provided to the Contracting Specialist and/or Contracting Officer."

12. "I simply review the end product to ascertain if it meets the requirement or not."

13. "As work is submitted, errors are identified to the individual contractor."

14. "As long as the office is working smoothly, there are not major blips on the pulse, the (Government management) is happy, then I am satisfied."

15. "I do monitor workload and if it appears disproportionate I have been known to meet with folks on both Government and contractor and discuss how best to fix the problems."

16. "I am big on feedback and basically feel that our contractors do not necessarily get the respect they should. I provide impromptu notes to contractor supervisors as to performance. I believe strongly in treating our support folks the way I would like to be treated. I try to set an example so the young contractors will learn as they become managers, that respect and appreciation gets you much further than criticism and negativity."

17. "We direct comments to (the COR). In all honesty, we typically only direct complaints."

i. Is There Any Method to Quantify the Return on Investment?

No respondent had any quantifiable method of measuring a return on investment, although several expressed interest in receiving help in this area. Several offered anecdotal approaches, as follows:

1. "The contractor reports on tasks accomplished and the Government confirms the extent to which the service is delivered. It's barely parametric."

2. "... the smooth running of the (program office) is the biggest ROI. While we cannot "train" our contractors, we can give them exposure so they become intoned with the office and respected part of the office."

3. "We try to get the job done with the least cost to the Government, while receiving the best support possible."

4. "This is either an enhanced product or not. It meets specs or does not."

5. "In our office, the current contract has resulted in a decrease in cost from \$2.2M to \$1.5M, but this might be just a result of contractor buy-in."

6. "The work would not get done due to the unavailability of (Government personnel)."

7. "When special projects are completed, it is not necessary to keep a person employed if they are not Government; contractor has to find other work for them elsewhere."

j. What Other Experiences Do You Have with Contracted Technical Support? (For Example, Under What Situations or Through What Types of contracts?)

All respondents had experience with contracted technical support and offered a wide range of roles and experiences, with examples as follows:

1. "I have little experience in the area of being the customer. I have a great deal of experience with contracts in general, both as Director, and a former Contract Specialist."

2. "Prime Mission Product contracts delivering products to support systems."

3. "I had service contracts as the field activity before coming here, but I can honestly say I have no clue what that vehicle was."

4. "The vehicles discussed thus far are the same vehicles that were used in my last program office. The difference is that in that program office the contractor reported to two important metrics, time dedicated to function/deliverable (measured to the hour) and product deliverable. These were closely matched on a monthly basis. I have not instituted that level of discipline in those program office yet."

5. "Been through the gambit of CPFF, FFP, CPIF and CPAF. So far, the CPIF appears to be about the fairest from both sides of the track."

k. Are You Familiar with Performance Based Services Contracts or Multiple Award Contracts?

All respondents claimed familiarity with these contracts.

1. How Have/Will Either of These Contract Methods Effect Program Execution or How You Perform Your Job?

1. Twenty seven percent of respondents indicated it was too early in their experience with either MACs or PBSA to evaluate the effects

2. Eighteen percent of respondents stated a change to these contract strategies would have no effect on the program execution or job performance.

3. The remainder had mixed opinions on the impact of these strategies on program execution or job performance, with sample comments below:

- "Hopefully move us toward treating our contract support in a similar manner to what we do with Prime Mission Product contractors."

- "Our contractors still think and propose level of effort, and some of our Government employees still want to own their own contractors."

- "Culture has not changed."

- "I wrote the (PBSA/MAC) tasks for the program office. It was not easy since it was on-the-job training."

- "PBSA takes longer because no one is familiar with the language and concepts involved - Government or contractors proposing."

- "It will take a much greater labor effort to monitor to ensure that all the performance standards agreed to are met - and are incentivized or disincentivized."

- "Will need additional documentation to record in files the various results of monitoring."

- "I believe multiple award contracts will help us increase the pool of talent to select from, but will require more work on the part of the Government and take a lot longer to go from start to award of contract."

- "I am not convinced that PBSA will help very much in the area of support services. If a contractor is not adequately fulfilling contract requirements, we always had the option of not funding them in future years."

- "(MACs/PBSA) requires much more Government involvement. It is causing a hardship on the Government personnel since some program offices had little involvement with prepping SOWs in the past, now they are required to prep the PWS and process the contract modifications."

- "A major issue is that the contractor personnel involved in developing and maintaining spend plans, are employees of the companies that bid on the proposals."

One respondent was exceptionally articulate in conveying an understanding of the question. Due to the clarity of the response, the input is captured here in its entirety, with minor redaction to ensure anonymity:

These methods are preferred for obtaining support services - so our new programs will apply the methods to the full extent possible. It definitely impacts how we define the requirement and develop the acquisition strategy - and once the contracts are awarded, our post-award effort is much different.

I've already disclosed there is a significant impact on my current program - (which) is performance based and multiple award. ... I would like to share my historical experience with performance based services contracts (experience which predates current policy emphasis/mandates.)

For literally **decades**, the (service) has contracted for mess attendant services with performance based

work statements. We considered the application of performance based contracting in the mess attendant environment to be very successful. We had a very clear out put with very predictable requirements - and a very structured inspection process.

However, performance based contracting for mess attendant services was NEVER touted as a simplified approach to constructing an acquisition strategy. In order to define mess attendant services in terms of need, our performance work statements were relatively brief, BUT THE SOLICITATION CONTAINED EXTENSIVE DOCUMENTATION. In order to provide our offerors with sufficient data to quantify the effort, we supplemented the solicitation with inches of exhibits. **Performance based contracting is not an easy method - current policies have been blind to how difficult it is to define the needed support.**

There is a misperception that this approach is "streamlined" because you need only describe the outcome - a simplistic and naïve outlook. ***It is damaging to our ability to construct performance-based requirements because the policy leads folks to conclude development of the procurement request package/documentation only requires minimal effort - and therefore, minimal staffing.*** Wrong! And the need for additional staffing extends through evaluation efforts for source selection right out to the administration of the contract.

- When performance metrics are imposed - SOMEONE must measure SOMETHING.
- Unless you **trivialize** that "something" - measurements/evaluations of performance are demanding efforts.

I also have observed that "quantifying" professional efforts is often a misrepresentation of the Government's needs. Professional support services are unlike mess attendant services (which I characterized as having traits such as "clear output" and predictable requirements.) Professional support services such as engineering services and financial management and program management have **elements** of "clear out-put" - but only **certain** of the requirements

are predictable. I am extremely pessimistic that performance based work statements can fairly describe such effort. In my opinion, during contract performance either the contractor or the Government will suffer significant inequities.

And applying objective performance measurements to very subjective efforts is absurd - clearly, the only way such policies can be "successfully" implemented is by contortion. I am not looking forward to the convoluted administration required by such naïve mandates."

m. Is There Quantification as to the Effect These Contract Methods Has or Will Have on Your Program Office?

1. "Not really, but changing our contracting strategy and looking into large scale integration contracts will reduce workload for the Government. Will not then be awarding multiple small contracts."

2. "Will take longer"

3. "I would have to look closely, but I do not think they are more cost efficient. They are more time consuming and not as easy to work with. But perhaps, as with anything, once we get used to them, it will be better."

4. "...limited metrics at this point and limited experience ..."

5. "MAC has reduced program support from \$2.2M on a CPIF to \$1.5M (FPIF). Unsure whether this is mostly attributable to decreasing scope or contractor buy-in or competition."

6. "...these new policies have, essentially, a 100 percent impact the acquisition strategy. In terms of cost, the (PBSA MAC) is hoping for less costly technical

support. I am unaware of the success in this area. However, to administer these contracts, the post-award staffing has expanded from a full time contract specialist and ¾ time contracting officer to: a full time contracting officer, a projected requirement for 5 contract specialists to compete and administer the task orders, and a \$2M support contract (\$1M per year for 2 years) designed to assist with development of performance based work statements for the task orders. Although I am unaware of the actual cost delta, intuitively it will cost a LOT MORE to process competitive task orders and write performance based statements of work for the follow-on contract."

There was a further "editorial comment" from one respondent:

There is too much dependence on contractors in the program office. They sit in Government spaces, and are treated as Government employees. People forget that they are contractors. They develop close relationships, and will try to arrange it so their special contractor is always funded. On the flip side, it takes time for a contractor to learn the details of certain programs, the program office, (service), DoD, etc. It is not realistic to assume that "someone off the street" can come in and take over a job that someone else has been doing for years.

2. Industry Respondents

Completed surveys were received back from industry personnel in the following career fields and functions: Program Manager, Contracts Manager, Technical Points of Contact (TPOC), Proposal Manager, Engineer, Logistician, Acquisition Specialist, Business/Finance Manager. All respondents have a role and perspective in providing or administering technical support contractor services.

Thirty-six percent of those surveyed are in the position to commit their company to proposing on MAC and PB contracts, 43 percent are able to assess the financial and workload variance from cost proposals for previous methods of contracting, and 57 percent are in direct charge positions, with first-hand responsibility in producing Performance Based work products. The population is fairly evenly split between large and small businesses. Questions and responses are as follows:

a. What Extent of Your Business is with Federal Government, Specifically with Department of Defense?

The responses unanimously cited a business base of 100 percent with the Federal Government, leading the author to believe the respondents considered this question in terms of their personal experience and business component, vice the intended query referencing the entire company.

b. Is Your Company Large or Small Business?

Fifty seven percent of respondents cited large businesses, and 43 percent represented small businesses.

c. What Types of Technical Support Services Do You Provide? (What Functions or in What Capacity)

The number of responses per functional area are as follows:

Function	# of Events
Systems Engineering	8
Information Technology	6
Program Management	4
Cost/Budget Analysis	2
Acquisition Support	4
Logistics Support	4
Enterprise Learning	2
Business Process Re-engineering	2

Test and Evaluation	2
Finance Analysis and Support	2
Administrative	2
Systems Design, Development, Deployment	2
Training	2
IV&V	2
Installation Support	2
Technology Management	2
Information Assurance	2
Strategic Planning	2
Organization and Change Management	2

d. How is the Decision Made by Government to Utilize These Services, to the Extent and for the Purposes It Does?

This question was perceived as inquiry as to why the respondent's company was awarded a contract, vice investigating whether the industry representative was aware of the Government's analysis leading to its decision to outsource the work. One respondent answered as intended:

"Reductions in Government manning levels have forced many agencies to leverage commercial support to ensure mission accomplishment. Additionally, the contractors can be shared across tasks and departments, while it is often difficult to 'share' Government employees."

e. What are the Differences Between Government and Industry Work Product?

Thirty six percent of respondents indicated an awareness of the distinction in Government and industry roles, as demonstrated below:

"The only significant difference ... should be that the contractor prepares draft and recommends options, while the Government approves final products and directs."

"Government provides Program Management oversight, whereas our industry work product is a capability developed...based on the requirements..."

The remainder is represented here:

1. "Government has more specific requirements and regulations that require compliance.

2. "...they are pretty much the same."

3. "We have additional work products that have to do with running our business, things like utilization reports, financial statements, etc."

4. "...differences in the allowed processes and policies which exist within the particular client."

5. "Industry expects more compliance with industry standards."

6. "Government rules and regulations may be stricter in certain areas, where they may be lax in others based on non-Government industry clientele." (NOTE: this respondent previously indicated 100 percent of the business base is with the Federal Government)

7. "Should not be noticeable differences."

8. "Competition causes industry to hold itself to a higher performance level as measured through various certifications."

f. What Government Process are You Aware of to Re-examine the Need and Usage for Your Services?

Respondents were evenly split as to whether the Government conducted a viable analysis and process to

determine the need to outsource work. Samples of those who reported a lack of premeditated approach are excerpted as follows:

1. "We are not aware with any formal process."
2. "Government appears to be very inept in truly addressing its needs."
3. "Rather than a focused study on needs that is prepared, challenged, reconciled, accepted and then implemented, Government employees tend to make decisions based on best guesses/intuitions without any real regard to actual work flow."
4. "The process used is in selling services to alleviate issues felt by the Government."
5. "...a recent (example) noted a 265 MY effort that was to be reduced to 185 MY, however, there appeared to be no justification to the 185 - except that it was about a 40 percent reduction in overall contractor support."

The following represents those who felt they were aware of a proactive evaluation process:

1. "The very nature of Government contracting prompts the Government to reevaluate its method of obtaining professional services every few years."
2. "Budget reductions force Government program managers to reevaluate requirements at least annually."
3. "The introduction of PBSA has caused the Government to reexamine its processes for contracting for professional services, but reductions in Government

staffing make the use of contractor support a necessity rather than a nice-to-have."

4. "The Government evaluates the need for our services each FY as part of the budget/resource allocation process - often making reductions."

5. "The Government routinely examines and re-examines the need and usage for new capabilities. This is performed in a variety of ways. The Operational Forces provide review and requirements to the Dept of Defense Program management Offices. The Program Managers use processes such as the QDR, to review current requirements and establish new requirements. These requirements are continuously under review and prioritized for funding. These requirements are formulated into funded programs/projects that ultimately meet the Operational Forces needs. We support the Operational Forces with capabilities that meet their needs, via the Program/Project Managers direction."

g. How Do You Interact with the Pertinent Government Personnel and Provide the Specified Services And Deliverables?

Seventy one percent of the respondents were able to articulate a pattern of Government/industry interaction.

"...personnel work directly with/for the Government personnel to provide specified services and deliverables."

"Our interaction with the Government personnel occurs daily, weekly, monthly, depending on customers needs."

We work very closely with the Government personnel to ensure proper direction on all of our tasking on a regular basis."

"We routinely and frequently visit the Government personnel to report status and obtain direction concurrence."

We provide monthly status reports to summarize the various interactions, progress on the various tasks."

"Most of the work is involved with fulfilling items within a work statement or found during the execution of a gap analysis. Communication of this effort is either in written or verbal form, explicit directions are provided through contracting vehicles to increase scope or through email communications to track understanding of requirements."

"As a task manager I work with clients directly to determine needs, required capabilities of staff and so on."

"Interaction is done on a daily basis for task coordination; weekly meetings for task status reporting; monthly reports for contracts progress and milestones status. Deliverables are submitted on the required due dates, and are followed up to ensure that they have indeed met the specifications for those deliverables and to the satisfaction of the clients."

"Specified services are identified in either a SOW or a Work Statement (WS) to which we execute cost, schedule, performance elements. Interaction with Government personnel is dependent upon contract

requirements and personal preferences. Some Government managers manage/direct at the macro level and some at the micro level. Some provide very little guidance and supervision, and some are real nitpickers. It depends. It also depends on whether the Government manager processes information verbally or in writing. If verbally, then daily phone conversations are best; if in writing, then memos/emails."

h. How Do You Evaluate the Success of Those Services and the Benefit to the Government?

1. Seventy one percent of the respondents identified either subjective self-evaluations, or vague or undefined objective methods:

"We work with the Government to review our efforts on a regular basis. Additionally, one of our goals is to keep lines of communication open. The company attitude is that our clients' problems are our problems, which helps us to work with our clients as teammates."

"... an internal review process to monitor performance on an ongoing basis at several levels, up to and including the firms partners."

"As part of our Quality Assurance program, we regularly visit our Government customers and obtain feedback."

"... we do a self-evaluation to ensure our services and deliverables are of optimum benefit to the Government. As the opportunity presents itself we obtain feedback from the ultimate Government customers, the Operational User."

"The best way is to stay close to the client, ask questions and observe."

2. The remainder of respondents offered increasingly objective methods:

"The success of those services and the benefit to the Government are determined by the value that our services have contributed, the return on investments that we have been able to contribute, the cost savings and cost avoidance that our services and solutions have provided, the efficiency that our services and products have been able to generate, and the tools that have helped and led the clients to achieve and accomplish other successfully solutions."

"A lagging indicator would be Award Fee scores and the like."

"Success is measured by a number of different methods; where at all possible, metrics and benchmarks are used to gauge success based upon program specifications/parameters. Pockets of Government are very good in identifying specifications/parameters that signal program success. Specifically, these areas are usually hardware related, and related to weapon systems. Other softer areas of Government also provide specific guidance for what denotes success. For example, if preparing a product such as a curriculum development effort where some sort of web-based Interactive Media Instruction (IMI), the success criteria is rather simple - it works or it doesn't, it responds within the timeframe allotted or it does not. Staff augmentation services are a bit more difficult to gauge since benchmarks are specific to each office, but may not reflect the needs of an office. For example, for receptionist support, it may be the number of phone calls

answered by the fourth ring; for an INFOSEC engineer, it may be the number of C&As prepared within a specified timeframe."

i. How Does Government Convey That Level of Success to You as the Performer?

1. Thirty six percent of respondents indicated frequent proactive feedback from the Government.

2. The remainder cited regular formal feedback methods, such as CPARs, Award Fee or Award Term incentives, in addition to industry-initiated contact and interviews.

3. One respondent opined success is measured by, "... recommendations and referrals to other prospective clients, ...and follow-on contract awards"

4. One respondent offered, "test plans, testing, and test reports convey quantitative success in an objective manner."

j. What Other Experiences do You Have with Providing Contracted Technical Support? (For Example, Under What Situations or Through What Types of Contracts?)

The respondents identified themselves as both prime and subcontractors with the Government and with commercial contracts. Performance was executed under various GSA schedules, Time and Material, IDIQ, FFPIF, CP vehicles.

k. Are You Familiar with Performance Based Services Contracts or Multiple Award Contracts?

All respondents answered in the affirmative, with two inputs of particular note:

"Yes...regretfully."

"Yes. Government has moved more and more to these vehicles. While MAC IDIQs provide Government with a small pool of trusted vendors to provide a focused service/product, vendors note that they increase costs since specific efforts are now competed on an individual basis."

1. How Have/Will Either of These Contract Methods Effect Your Decisions on What Tasks to Compete for or How You Perform Your Job?

1. Sixty four percent of the respondents expected an overall positive effect to the Government as a result of PBSA or MACs, synopsized below:

- "While there should be minimal change in bid/no bid decisions, the use of PBSA forces contractors to take a harder look at requirements when preparing bids as the risk shifts further toward the contractor."

- "These contract methods are easily implemented and have no effect on the decision to bid or no bid the contract. The decisions are made based on research into the competition and the fit within our strategic focus."

- "Job performance is pretty much the same. Do great work. But now there is a built in feedback for this and a way of focusing our efforts."

- "Both PBSC and MAC seem to be the future choices of the Federal Government/DoD acquisition process. To remain in the Federal Government and DoD markets, we believe that our firm must perform well in both of these types of contract methods, to strive for excellence in both of these scenarios, and to maintain consistency in performance excellence."

- "Both these contracts require that we must be flexible, adaptive, responsive, and maintain a streamlined cost structure."

- "To be successful in either one of these contracts, our cost structure must be continuously lean to ensure that we remain competitive on all competitive tasks and to ensure that can attain options or award terms."

2. Thirty six percent of respondents presented a cautionary note, represented in the two comments which follow:

Multiple Award Performance Based Services Contracts will have a significant affect on our decision to compete for tasks. In particular, if the contract has special caveats that make it effectively a non-competitive environment that allows for most of the tasking to be sole sourced to one company, there is no opportunity to bid on the task. This is not multiple award! In the limited cases (~10 percent) where the opportunity exists to compete for tasks it is highly questionable that it makes any sense to spend B&P to bid on a task that will be routinely be awarded to the majority incumbent. Our experience to date with MACs is that it is a mechanism for the Government to get access to the incumbent and to use the other awardees as pawns to lower the price. We will give serious consideration as to whether we continue to bid on these kinds of contracts that highly favor the incumbent. In addition, the additional cost for bidding on individual tasks is an added cost to the contractor as well as to the Government. The ROI doesn't exist!

Many in Government do not feel secure enough in their position to accept true performance based work efforts, nor do they want to. The status quo works fine and provides a belly button that can be pressed when needed. Consequently, at this point, performance-based is a feel-good attitude that Government is approaching private industry efficiency, but it is not. MACs are now a part of the landscape. If you want to play, then you need to participate, even though you may be nothing from them.

m. Is There Quantification as to the Effect These Contract Methods Have or Will Have on Your Company?

Responses ranged from a succinct, "Yes", to "not that I have seen", with samples reflected below:

1. "We work in the PB environment by default for our company, so this method has no effect."

2. "While the company certainly has the capability to go after a number of MACs based on corporate capabilities, an honest assessment is made of just what the company can expect to receive in revenue from a specific vehicle. Depending upon the cost of entry, the need for the vehicle, and many other factors (current customer? Specified targeted customer?), the company may elect to pursue or not pursue. It depends."

3. "Since most of our revenues are based on Federal and DoD contracts, the continuing focus and directions of the Federal Government and DoD to apply these contract methods would have a significant importance to our organization. By continuing to exceed our clients expectation, deliver valued solutions that would contribute to ROI, cost saving, cost avoidance, and efficiency improvement, we could ensure our future successes."

4. "This method of contracting can be very effective if properly implemented. It truly can be a way of getting best value."

5. "These types of contracts are not always properly implemented. The true effect of these contracts is that many of our employees have been hired into other companies that had a larger incumbent alignment for the tasks. Incumbency wins! The real harm is for the employees that are forced to lose their hard earned benefits by having to take a job with a different company only to be put on the same job they were doing before the task award. The harm to the Government is that they have to pay more for those employees (services) that move to a different company in order to salvage their job. The ROI doesn't exist."

C. CHAPTER SUMMARY

The chapter decomposed the demographics of the survey respondent population, by role and by function. It also recorded the verbatim inputs of these respondents and tracked the statistical representations of any common themes.

THIS PAGE INTENTIONALLY LEFT BLANK

V. DATA ANALYSIS

A. INTRODUCTION

This chapter goes more deeply into the survey responses, drawing comparisons between the two respondent populations and to the knowledge base gained from the literature research. The author sought out areas of omission, as well as conflict or affirmation of statements between the groups.

B. SURVEY RESULTS

As presented in Chapter IV, the survey and responses offer insights into the thoughts and impressions of the representative population. The respondent grouping, consisting of 22 Government and 14 industry inputs, was too small to offer statistical significance; however, there were indicators as to behavior and biases to capture interest. These are presented below:

1. Government Respondents

a. How Is the Decision Made by Government to Utilize These Services, to the Extent and for the Purposes It Does?

On the methodology leading to the decision to utilize contractor support services, the largest grouping of responses cited augmentation of the Government workforce. Slightly more than one third cited credible analysis and quantification substantiating the decision, with 27 percent indicating such contracting was a result of inertia from long-standing office or program policy.

b. What Are the Differences Between Government and Industry Work Product?

It was positively recognized by the author that 45 percent of respondents indicated an awareness of

inherently Government responsibilities. It is, however, noted that at least one respondent cited a scenario wherein contractors "...appear to be acting as Government personnel."

c. What Is the Process and Frequency to Re-Examine the Need and Usage for Contractors?

In an apparent contradiction to the inputs to question (a) above, 82 percent of respondents indicate a review is conducted at least annually to assess the need for contractor support.

d. How Do You Obtain Contractor Support?

The response quoted on this question presented personal observation that Government personnel used technical services support contracts to "...get to individuals that they wanted on the technical team." This is contrary to the premise of PBSA, wherein the Government articulates its requirements, then allows the contractor to satisfy that requirement however and with whomever it chooses, and in turn is measured on its success according to agreed upon criteria. This input epitomizes one of the biggest challenges with PBSA and MACs, which is the necessity of decoupling the dispassionate process, and allowing a requirements-driven competition, from the human aspects.

e. How Do You Evaluate the Success of Those Services and the Benefit to the Government? How Do You Convey That Level of Success to the Performer?

As described earlier, it is critical that the Government establish clear criteria, which is reflected in a formal quality assurance program, by which to measure performance. The responses present little evidence that

there is, in actuality, an appropriate degree of evaluation and feedback necessary to adequately execute PBSA.

f. Is There Any Method to Quantify the Return on Investment?

The respondents reported no metrics or clear analysis as to the value of using program resources for contracted technical support services. This presents a disconnect from the tenets of the National Performance Review and resulting acquisition reform, as described in Chapter II, which include the goal of achieving more effective outcomes from the processes, and metrics to measure those outcomes.

g. How Have/Will Either of (PBSA or MACs) Effect Program Execution or How You Perform Your Job?

Eighteen percent indicated "no effect on the program execution or job performance".

One comment introduced the challenge of Organizational Conflict of Interest, in that "contractor personnel involved in developing and maintaining spend plans are employees of the companies that bid on the proposals."

One articulate respondent details the difficulty and amount of effort involved with PBSA for mess attendant services, a requirement with "very predictable requirements and very structured inspection process." Having the prior experience with an environment which lends itself to PBSA, the respondent continues with much pessimism as to the success of "...applying objective performance measurements to very subjective efforts..." in using PBSA for professional support services.

h. Is There Quantification as to the Effect These Contract Methods Have or Will Have on Your Program Office?

The responses were conflicting, from the vague "...will reduce workload for the Government..." and "...will take longer, to "...do not think they are more cost efficient..." to reference of a 68 percent cost reduction for contracted program support.

The more discrete input cited a 71 percent staffing increase, augmented with a \$2M support contract, for PBSA MAC post-award contract administration.

2. Industry Respondents

a. How Is the Decision Made by Government to Utilize These Services, to the Extent and for the Purposes It Does?

While Government respondents interpreted this question as it was intended, industry respondents almost universally interpreted it as inquiry as to why the respondent's company was awarded a contract, vice investigating whether the industry representative was aware of the Government's analysis leading to its decision to outsource the work.

b. What are the Differences Between Government and Industry Work Product?

Where 45 percent of Government respondents indicated an awareness of inherently Government responsibilities, 36 percent of industry respondents demonstrated the same cognizance. There was no reference or acknowledgement from industry as to contractors who "...appear to be acting as Government personnel", as found in the Government respondent input. Due to the relatively

small sample population, there is no statistical significance in the variance.

c. What Government Process are You Aware of to Re-examine the Need and Usage for Your Services?

Industry inputs were evenly split as to whether this occurred, as opposed to 82 percent of the Government respondents who reported a review is conducted at least annually to assess the need for contractor support. The majority of those who responded in the affirmative referenced an annual review, as did the Government respondents. The words "inept" and "best guesses/intuitions" are of note. The one input that cited measurable and specific reductions, which might indicate a clear methodology, is then derailed in that there was "...no justification...except that it is about a 40 percent reduction...".

d. How Do You Evaluate the Success of Those Services and the Benefit to the Government? How Does the Government Convey That Level of Success to You as the Performer?

Chapter II discussed the need for Government to clearly articulate what it wants and expects as a result of the contract. Seventy-one percent of industry respondents reported they measure their success by subjective self-evaluation, or vague or undefined objective methods. There was one reference to a "Quality Assurance Program", which appeared to indicate a corporate program vice a formal Quality Assurance Plan within a PBSA contract or task.

Industry respondents did not articulate the same conflict in behavior between prescribed strategy and actual execution that the Government respondents indicated. In

view of the obvious candor of the inputs, this absence is of interest.

e. *How Have/Will Either of (PBSA Or MACs) Effect Your Decisions on What Tasks to Compete for or How You Perform Your Job?*

Sixty four percent of industry expected an overall positive effect resulting from PBSA or MACs, where 27 percent of Government respondents indicated it was too early to evaluate the effects of MACs or PBSA and 18 percent anticipated no change.

One dissenting comment echoed a Government observation that some offices use the facade of a MAC to still obtain the services of a preferred contractor. None made reference to the challenge of Organizational Conflict of Interest.

The quote cited in the previous chapter stated, "...it is highly questionable that it makes any sense to spend B&P to bid on a task that will be routinely be awarded to the majority incumbent." This is the only reference to the impact these contracting strategies have on the overhead and costs of industry when competing for potential Government contracts.

C. CHAPTER SUMMARY

This chapter reviewed the survey inputs and identified statistical occurrences, conflicts and gaps in the responses. A conflict would be the result of opposing or significantly differing observations from the two respondent populations. One possible explanation is inadequate communication as to the subject matter or process. A parallel explanation is cognitive dissonance, which should be recognized and might be readily corrected.

A gap indicates a more significant problem, in that neither group recognized or interpreted a subject matter that could reasonably be expected to be known or understood. The absence of reference to surveillance and enforcement of QAPs is one example of a gap.

THIS PAGE INTENTIONALLY LEFT BLANK

VI. CASE STUDY

A. INTRODUCTION

This chapter documents the recent contracting strategy of an Echelon Acquisition Command. Three stages are discussed: traditional range of functional and organizational contracts, which address specified needs and requirements; a Command-wide omnibus strategy; and the current move into the mandated PBSA and MAC environment.

B. PREFACE

In the late 1990's, Space and Naval Warfare Systems Command (SPAWAR) was recovering from a bi-coastal relocation, from Arlington, VA to San Diego, CA due to the Base Realignment and Closure (BRAC) effort. By the completion of the relocation in 1997, the headquarters organization had experienced an approximated 75 percent turnover in personnel. At that time, SPAWAR was functionally organized as depicted below:

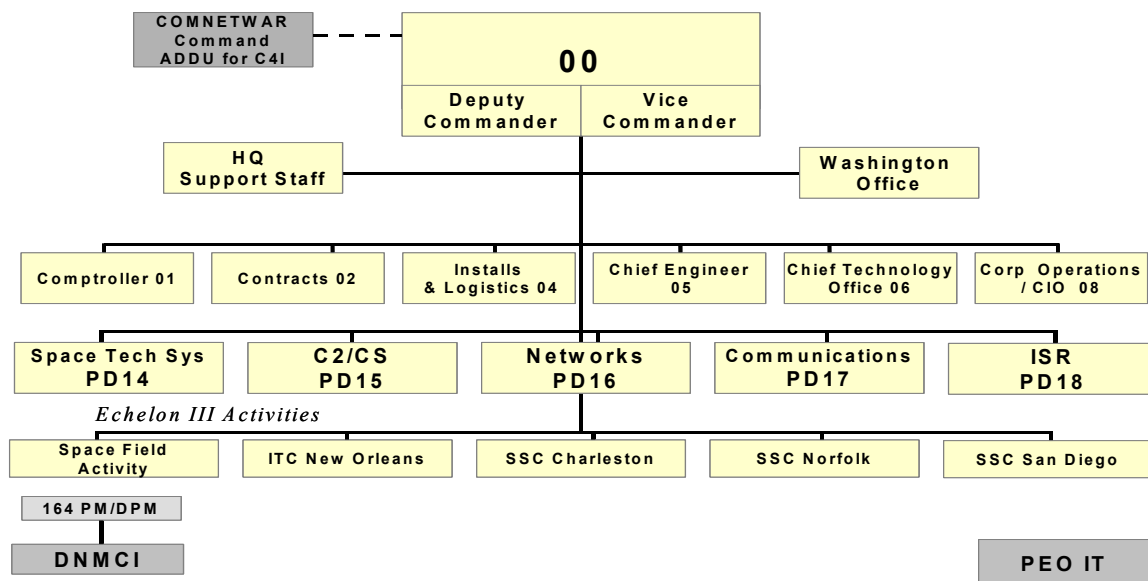


Figure 7. SPAWAR Organization Chart, circa 1997

As the organization settled into its new environment, there was a growing awareness of and effort to seek out potentials to achieve some efficiencies and cost savings. Externally, there were pressures to re-engineer business processes and to focus aggressively trace all efforts and resources to supporting the warfighter, and shed those efforts which might be outdated or detracting from the maximum value to the mission. While SPAWAR, as most Department of Navy organizations, was clearly focused on its mission, it was recognized there was timely opportunity to revamp its approach to acquiring the technical support services necessary to execute that mission. That set the stage to introduce a new approach to providing technical support services to the SPAWAR program offices. At that time, the Command initially identified 47 existing services contracts, valued at over \$1.4B, which brought system engineering, test and evaluation, installation support, and integrated logistics support to assist in acquisition and execution for C4ISR programs. It was suspected that efficiencies would be gained with a reduction of the number of overlapping scopes of these contracts. A reduced number of contracts intuitively would also mean a reduction in management overhead and expense paid to the multitude of companies. The 47 contracts initially under consideration were narrowed down to 17, due to pre-existing conditions such as 8(a) set-asides, classified program status, or other limitations that precluded inclusion in the eventual effort.

At that time, the organization identified its mission as:

To provide Naval Commanders a decisive warfare advantage through the development, acquisition and life cycle management of effective and responsive:

Battle Management Systems:

- Software Applications, computers, and displays Undersea, Terrestrial and space sensors
- Satellites, underwater Sensor Arrays, Navigation, and Weather Systems

Information Management Systems:

- Communications Systems, Radios, Satellite Ground Stations, Antennas, and Switches
- Infrastructure (LANs, Routers, Hubs), and Non-Tactical Software"

The stated intent was to establish and institutionalize disciplined engineering, business, financial, and human resource processes that would sustain the organization over time. It was recognized as an underlying premise, that an efficient organization is the one that follows the flow of the money; misaligned lines of responsibility, accountability, authority and dollar flow lead to chaos.

The external Department of Defense operating environment mandated a reduced shore infrastructure migration to regionalization efforts and services, "buying back" a negative wedge; and promoting paperless acquisition. Much of these initiatives were set forth in the CNO's SEA Enterprise, which identified at \$10B

shortfall, the "negative wedge", to re-capitalize the Navy Warfighter infrastructure.

Internally, SPAWAR's environment presented too many contracts and delivery orders; a legacy of duplicative contracts; high operation and administration costs; pressure to reduce acquisition lead-time; stovepipe operations in both Government and industry. The post-BRAC organization resulted in a Contracts Directorate with a 44 percent increase in workload and a 15 percent reduction in personnel, with employees working over 450 hours of uncompensated overtime a month. Feedback from industry at that time was that the processes were "wasteful"; technical code feedback deemed it unmanageable.

The conflux of external pressures discussed in the previous chapter, internal environment, and various feedback lead to the awareness that, as several large technical support services contracts would be nearing expiration, the Command was presented with an opportunity to re-engineer its processes. The essence of this opportunity became a challenge to consolidate the service contracts while supporting small business. The goals could be stated as: Minimize costs, administration, and management oversight, while maximizing leverage and technical control.

C. USE OF CONTRACT SUPPORT

At this point, it is useful to review the fundamental reasons for using contracted technical support services. The majority of such usage falls into two categories: the need to reach beyond the Government ranks for specific, often highly technical expertise, and to augment a

downsizing Government workforce. SPAWAR, like most other acquisition commands, uses this "third workforce" in addition to civilian and military for both reasons. The benefits are clear: With contractor employees, the Government does not assume the responsibility of management and personnel, which are inherent with its own workforce. A contracted workforce is engaged for a particular period of time and specific tasks; when that time or task is complete, the Government has no burden of reassigning or reallocating the employees, which it must do with civil servants and military. When there is a surge effort, the Government does not face the hurdle or delay of complying with civil service rules when it tasks industry to perform the work. Finally, Government can turn to industry to readily satisfy a need for a fluctuating labor mix, rather than incur the expense of reassigning and retraining its own workforce. Also important is the shifting to industry management the compliance with labor, health, and administrative laws and regulations for their personnel.

When considering the expense of in-house Government employees vice the contracted workforce, it is important to realize it is not merely a matter of a GS salary vice the contracted fully burdened (direct and indirect expenses) work year. When calculating the cost of in-house Government civilian labor costs, OMB Circular A-76 (which falls under the auspices of competitive sourcing) includes retirement, life and health insurance, and annual and sick leave benefits. The costs do not acknowledge Government's indirect expenses such as training, education, legal, IT equipment and support, legal, and other administrative support, which are necessary to sustain a workforce. This

draws to the conclusion that a "dollar-to-dollar" comparison, which would present a contracted workforce as more expensive than the Government workforce, is faulty in that it does not take all expenses into consideration.

D. CONTRACT STRATEGY

As stated, a major goal of SPAWAR's corporate contracting strategy was to reduce the number of support service contracts in place. Additionally, as part of the Strategic Source, Business Process Re-Engineering efforts, SPAWAR was seeking a command-wide contract for processes common to all Program Managers. Finally, the SPAWAR goal was to award a contract that would provide a substantial amount of work to the small business community and enable technical growth of small businesses. Accordingly, the command established the strategy for "Program Management Team Omnibus" (PMTO). Seventeen cost reimbursable type contracts for command-wide program management and engineering type services were replaced. The value of these 17 contracts was \$453,716,142 over the entire periods covered by the contracts (up to five years).

This acquisition strategy was to conduct a full and open competitive procurement resulting in cost plus award fee non-personal services contracts. The acquisition was designed to improve the quality of services; save high operation and administration costs; shorten acquisition lead-time; consolidate requirements to eliminate stovepipe operations, and establish common processes across the command. PMTO represented SPAWAR's first contracting effort to manage command-wide operations and support services. The way to obtain these advantages and receive the best value for the Navy was to conduct a procurement

that would result in award(s) to a single team of contractors after maximum full and open competition.

In order to mesh with the business practices of the organization, the Request for Proposal (RFP) was premised on the Command's Business Work Breakdown Structure (WBS), which is shown here:

Command Business WBS Approach

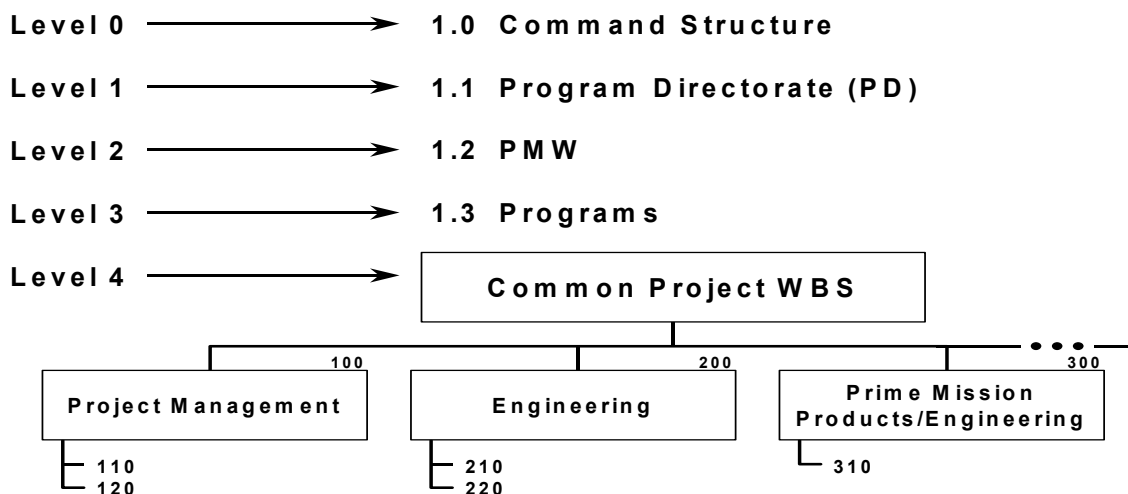


Figure 8. SPAWAR Business Work Breakdown Structure (WBS), of 1999

The PMTO service contracts replicated the WBS by covering five major categories of support: (1) Project Management; (2) Systems Engineering; (3) System Test and Evaluation; (4) Site Platform Installation; and (5) Integrated Logistics Support.

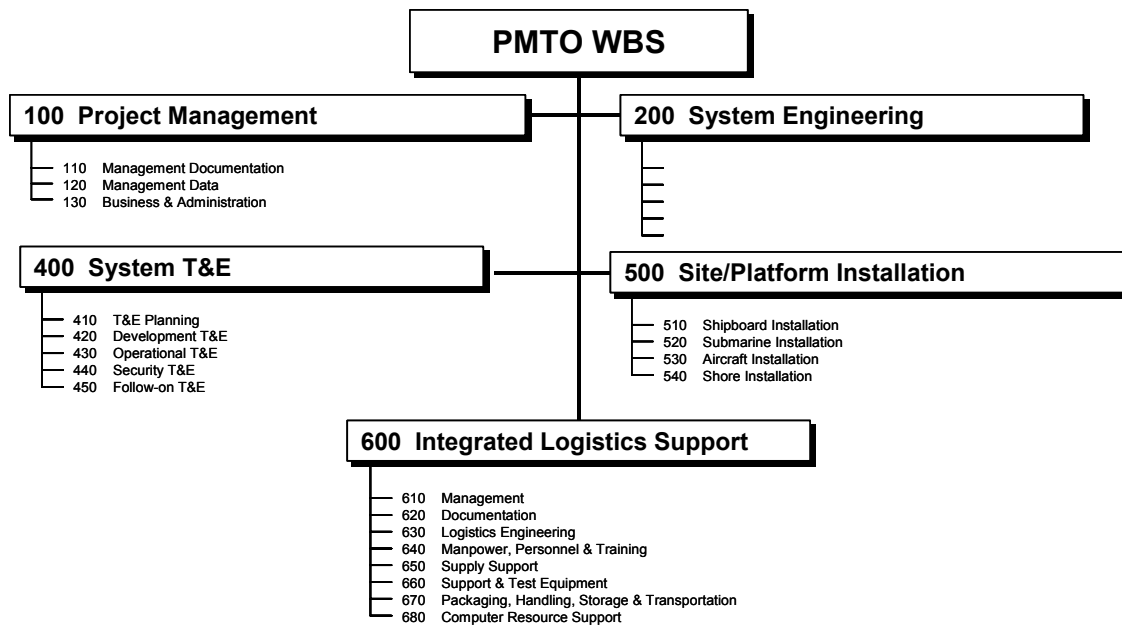


Figure 9. PMTO Work Breakdown Structure

Each category had a prime contractor, working under the auspices of a lead prime contractor.

This strategy produce a "Team" contracting approach intended to give SPAWAR technical leverage in dealing with one lead prime contractor exercising program management oversight over its team members. Such technical leverage would result in cost efficiencies command-wide. The "team" approach represented an acquisition streamlining initiative to minimize the quantity of contracts and maximize small, small disadvantaged, and small woman-owned business participation in SPAWAR support services. SPAWAR's goal was to award 50 percent of the total value to small, small disadvantaged, and/or small woman-owned business concerns. This goal included both prime and subcontractors offered by the winning "team". As approved by SPAWAR's Small Business representative, the primary Standard Industrial Classification (SIC) Code in place at that time for this effort was 8711 (Engineering Services) applied to each of

the prime contractor awards issued under this procurement. Code 8711 permitted up to a \$20M average annual receipt size standard to qualify as small business prime contractors.

There were no restrictions as to what size company could bid as the team lead. A small business with any SIC code could bid as the team lead, but if such a company bid and was not a SIC 8711 sized business, the work would not count as credit toward the SPAWAR small business goal.

E. COMPETITION

This strategy maximized full and open competition at the outset. PMTO invited companies to establish "teaming" arrangements among large and small/small disadvantaged businesses. At the close of the solicitation, three "teams" competed. Each competing team was led by a team leader (all of which were large businesses) with up to four team members (all team members were small businesses). Overall, more than 150 companies participated in this highly competitive procurement either as a Team Leader/Team Member prime contractor or as a subcontractor to one of the "teams". SPAWAR's goal of awarding a team of contracts with more than 50 percent small business representation was achieved. By obtaining full and open competition at the outset, the best value to the Navy was obtained from both a cost and performance perspective.

F. CONTRACT TYPE

This brief discussion of the contract type is provided to complete the understanding of the background of the PMTO and the construct under which industry and the organization have functioned for the past five years.

A full and open competitive, Cost Plus Award Fee (CPAF), "C" Type contract was determined to represent the best alternative for PMTO. This was the best choice to streamline processes during the pre-award and post-award phases.

Given the innovate nature of PMTO, SPAWAR was "unable to estimate costs with sufficient accuracy to use any type of fixed price contract." ¹¹ Specifically, the PMTO concept, and its inherent considerations, had never been previously contracted for by SPAWAR. Since fixed price contracts require accurate estimates and a definite scope, the PMTO procurement could not be obtained using this methodology. As such, a Fixed-Price contract was not selected due to the uncertainties associated with the overall scope of work and the fluctuation of work products. After extensive research, it was determined that a Cost Reimbursable environment best suited this acquisition. This would result in the best value to the Government. A Level of Effort (LOE) cost-reimbursable contract (with an estimated number of labor hours) best captured the PMTO needs of SPAWAR. Work would be identified to the contractor(s) via Technical Direction Letters (TDLs).

A CPAF "C" contract type was selected given the uncertainties involved in contract performance and SPAWAR's desire to obtain the highest quality services while motivating the contractors to manage their resources and costs well. As stated in the FAR, contracts with Award Fee provisions should provide "an award amount that the contractor may earn in whole or in part during performance

¹¹ FAR 16.301-2

that is sufficient to provide motivation for excellence in such areas as quality, timeliness, technical ingenuity and cost effective management." This CPAF definition met SPAWAR's contracting goals for PMTO. Additionally, the award fee evaluation criteria included an assessment of the relationships between the Team Leader and the Team Members. The Team's accomplishments would be evaluated by their ability to enhance total contract performance with regard to reducing expenses, creating efficiencies, creating common processes across the command and promoting coordination among the team members.

The award fee would be determined based upon a combination of the contractor's performance on individual TDLs as well as the contractor's performance as a member of the PMTO team. An Award Fee Board would determine the award fee quarterly, based on a subjective evaluation.

In 1999, an IDIQ contract scenario with multiple awards was not considered suitable for this streamlining initiative. By their very nature, multiple awards would require competition for each and every task identified. If more than one firm received orders for the same or similar work over the source of competing tasks, different work products (formats, styles, approaches, etc.) would be received command-wide. IDIQ multiple awards would not allow SPAWAR to eliminate stovepipe operations and establish command-wide common processes for program management services.

Additionally, the IDIQ type of procurement would require a minimum and an estimated maximum dollar amount for each of the contracts awarded under the team concept.

These minimums and maximums could not be accurately estimated at the time of solicitation issuance since the PMTO concept had never been previously contracted for by SPAWAR.

G. CONTRACT STRATEGY RESULT

Pursuant to the terms of the solicitation, this highly competitive procurement resulted in the award of prime contracts to the team representing the best value to the Government. Five prime contracts awards were made to "Team Booz-Allen Hamilton" on 2 September 1999.

Booz-Allen Hamilton (BAH) was the Team Leader and received the contract for Program Management services. Maxim, a small business team member, was awarded a contract for Systems Engineering. Systems Planning and Analysis, a small business concern, received the award for Systems Test and Evaluation. Site/platform installation was awarded to AMRON Corporation, a small business concern. Finally, Systems Integration & Research, another small business, won the award for Integrated Logistics Support.

The overall value of the base-year awards to Team BAH was \$48.1M for 1.2 million man-hours of effort. The separate contracts each contained four one-year options, which, if exercised, would bring the combined cumulative values of the awards to \$251M. Due to several factors over the past five years, there have been cost growths to the original contract awards. Most significantly, there was a significant and unexpected increase in the demand for program management support services during FY 02 and FY 03 at SPAWAR as a result of the organization becoming responsible for two programs, the Navy/Marine Corps

Intranet (NMCI) and the Defense Integrated Military Human Resources Systems (DIMHRS). These two programs alone resulted in the tasking of over 200,000 hours in FY 03, almost 40 percent of the 525,000 man-hours originally allocated to FY 03.

H. CONTRACT TEAM LEADER

One of the most notable aspects of the PMTO concept was the assignment of a contractor Team Lead. This was an untested approach for SPAWAR, which effectively shifted significant management and administrative aspects from Government to industry. Prior to PMTO, the program offices relied on numerous contracting officers to assist in contracting for technical support services. Government employees performed or oversaw the placement and execution of a multitude of contracts, often with very similar in statement of work. It was not unusual for informal competition within industry for day-to-day tasking to result, resulting in programmatic inefficiency, the least of which would be a lack of communication and support between the companies and efforts to gain competitive advantage. When the PMTO was devised, a contractor Team Leader was fundamental to the concept. This shifted a significant amount of administrative and management burden from Government to industry, and forced collaboration among the prime contract holders to the considerable benefit of the Government. There were numerous examples of the advantage of this structure, one of which is cited here. The Team Lead, BAH, developed and maintained an electronic commerce site, used by all five contract holders and their subcontractors, along with the Government task owners and administrators. Each Task Order was initiated through this

site, with minimal amount of data entry required. Once entered, the system assigned various accounting and contractual information, such as the next available ACRN or SLIN, and provided a quick-look as the document electronically progressed through its processing. This system greatly reduced accounting errors and the time and effort usually involved in manually tracking the document. The system was also a repository for contractual documents, along with templates, guidance, contact points, and the like, all contributing to a highly manageable and dynamic program. It would have had a positive workload impact for just the one contract held by BAH; when this also encompassed the rest of the PMTO team, there were considerable benefits.

I. POST-PMTO ENVIRONMENT

Since the advent of the PMTO contracts in September 1999, the structure and mission of the SPAWAR organization further evolved, most notably with the establishment of PEO C4I and Space. The current organizations, along with their affiliated organizations, PEO-IT, PEO(T), NMCI, PEO-LMW, and Echelon III Commands, are responsible for the architecture, integration, acquisition, and support of integrated and interoperable information solutions to support the national defense and the delivery of specific systems. These organizations also provide robust space and C4I capabilities to the Fleet and the Nation, providing SATCOM capabilities and partnering with the National Reconnaissance Office. In addition, SPAWAR is the Navy C4I Chief Engineer and the FORCEnet Chief Engineer. The mission of SPAWAR is to enable knowledge superiority to the war fighter through the development, acquisition, and life

cycle support of effective, capable, and integrated C4ISR, IT, and space systems. The mission of PEO-C4I and Space is similar; to acquire, integrate, deliver, and support interoperable C4I & Space systems enabling seamless operations for the fleet, joint, and coalition war fighter. The current organizations are depicted below:

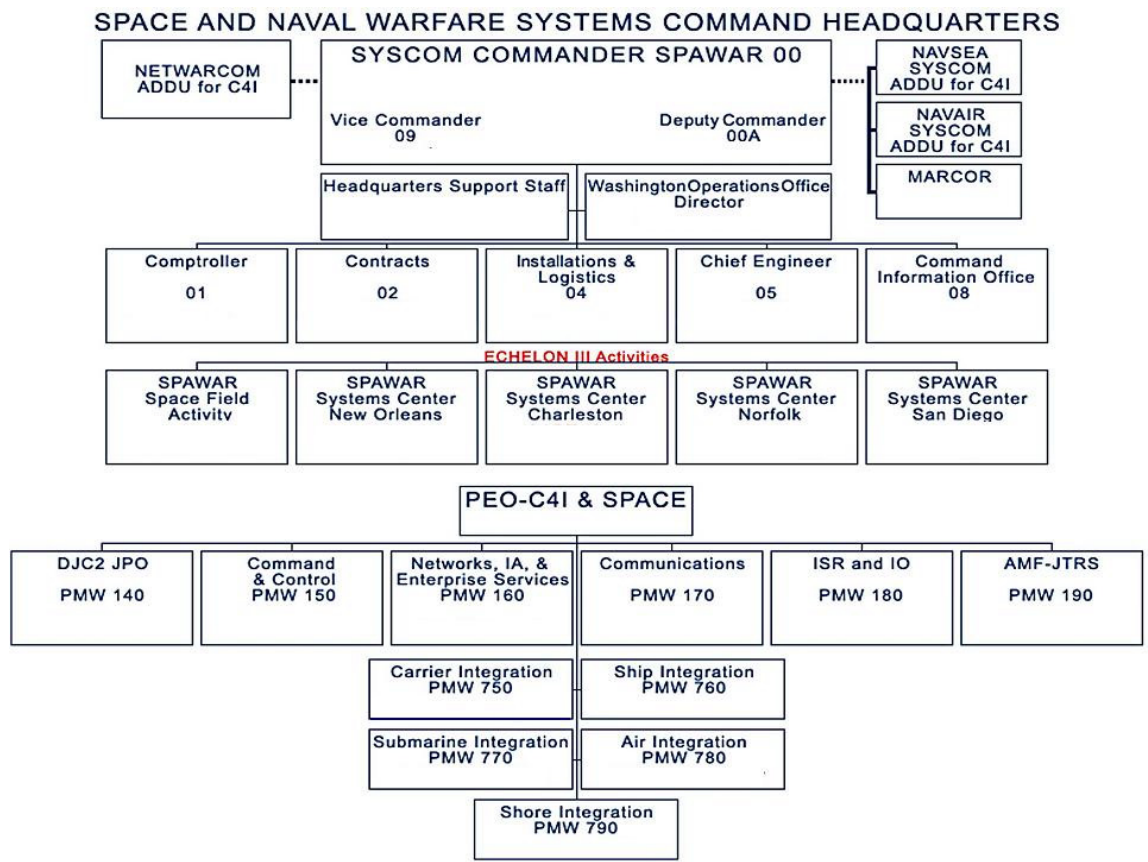


Figure 10. SPAWAR Organization Chart, circa 2005

With the PMTO contracts set to expire January 31, 2005, the next generation contracting strategy had to be crafted and incorporate innovations and mandates that had developed over the prior five years. The organizations wanted to address the issues of: cost savings/competition;

performance based contracting; small business goals; flexibility in contract type, capacity and duration; ease of use; common processes; and other management issues. These new contracts would comply with DoD's goal that 50 percent of all services contracting be Performance Based by 2005. There was recognition that PBSA would effect how work statements were written, how acceptable performance was defined, assessed, and incentivized. There was also a concern of how to handle the management burden that had been shifted to industry under the PMTO contracts, either by absorbing it back into an even further downsized Government or crafted into a competitive environment of Multiple Award Contracts.

At the conclusion of the source selection, the five PMTO contracts were replaced by eleven MAC/PBSA contracts. One work statement was developed for the Program Management work previously performed by BAH under the PMTO contract, and another for the Engineering, Logistics, Installation Support, and Test and Evaluation (ELITE) support efforts previously performed by the four small business prime contractors under the PMTO. These efforts were separated to ensure that the work that had been performed by small business prime contractors under PMTO remained available specifically to that sector in the succeeding contracting strategy, whereas both large and small business could propose for the Program Management work statement. There are now four prime contract holders for the Program Management contracts and seven small businesses for the ELITE efforts.

These contracts are Cost Plus Award Term, with a two year base period, and four six-month award terms. Due to the relatively short time since award, there is no data to evaluate the impact of moving to PBSA MAC contracts on either Government or industry.

J. CHAPTER SUMMARY

This chapter captures the case study of a Government organization over more than five years' of evolving contracting strategy to provide technical support services to its program offices. It presented the various approaches and strategies used to accommodate the requirements and mandates at each stage, and to aid in achieving the organization's mission. In this chapter, each contracting strategy seen as a reflection of the convergence of warfighter requirements, national interest, social issues, and organizational mission.

THIS PAGE INTENTIONALLY LEFT BLANK

VII. CONCLUSIONS AND RECOMMENDATIONS

A. INTRODUCTION

By drawing on the survey, research, and survey responses, this chapter focuses on, isolates and identifies potential opportunities for process improvement or existing deficiencies. There are two goals in this chapter: First, there is potential application of the findings toward improving the process and end result of utilizing technical support services. Equally important is the possible awareness that certain instances will offer no ability to optimize the process as there could be no opportunity to change or improve the process. However, that resultant situational awareness alone is valuable in that it allows the organization to recognize and quantify or qualify the inefficiency.

All data that is referenced here is found in the preceding chapters, and is used to draw the conclusions and recommendations.

B. CONCLUSIONS

1. Government Respondents

a. How is the Decision Made by Government to Utilize These Services, to the Extent and for the Purposes It Does?

The largest grouping of responses in Chapter V to this question cited that the decision was premised on augmentation of the Government workforce. Only slightly more than one third cited credible analysis and quantification substantiating the decision, with 27 percent indicating such contracting was a result of inertia from long-standing office or program policy. This leads the

author to conclude there might be opportunity to reexamine the requirement for the amount of work contracted out to industry.

b. What are the Differences Between Government and Industry Work Product?

It is noted that in Chapter 5 at least one respondent cited a scenario wherein contractors "...appear to be acting as Government personnel." This is the first indication of a need to address inherently Governmental responsibilities. The issue is compounded by the diminishing Government workforce cited in Chapter II and collocation of the personnel within Government spaces. The author concludes that although the awareness was shown, there is a lack of understanding of what exactly it means to both Government and contractor personnel, and how to preserve these responsibilities in a day-to-day office environment.

c. What is the Process and Frequency to Re-Examine the Need and Usage for Contractors?

The analysis in Chapter V showed a contradiction between the answers here and to question (a). The author concludes that the inputs to question (a) referred to the actual base decision to proceed with a contract, while the process and frequency referenced here relates to how to fund and continue the resultant contract. This conclusion is founded on fact that the reviews are keyed to spend-plans, so possibly are driven by availability of budgets and funding, vice requirements. The combined inputs to this and question (a) above lead to the further conclusion that there is clear opportunity for more requirements based analysis as to the need to contract for technical support of specific functions.

d. *How Do You Obtain Contractor Support?*

The response quoted in Chapter V presented personal observation that Government personnel used technical services support contracts to "...get to individuals that they wanted on the technical team." This is contrary to the premise of PBSA, wherein the Government articulates its requirements, then allows the contractor to satisfy that requirement however and with whomever it chooses, and in turn is measured on its success according to agreed upon criteria. This input epitomizes one of the biggest challenges with PBSA and MACs, which is the necessity of decoupling the dispassionate process, and allowing a requirements-driven competition, from the human aspects. The author concludes there is need for an educational and cultural shift to PBSA still to be accomplished in order to achieve the potential benefits.

**e. *How Do You Evaluate the Success of Those Services and the Benefit to the Government?
How Do You Convey That Level of Success to the Performer?***

Chapters II and IV discussed the need for Government to clearly articulate what it wants and expects as a result of the contract, must do the research to select a contractor who can fulfill that stated expectation, and must motivate and incentivize the contractor to perform and deliver. It is also critical that the Government establish clear criteria, which is reflected in a formal quality assurance program, by which to measure performance. The responses present little evidence that there is, in actuality, an appropriate degree of evaluation and feedback necessary to adequately execute PBSA. This also indicates a conflict in behavior, wherein the contracting

organization embarks on a prescribed strategy, in this case PBSA and MAC, yet communicates and interacts with the contracted entity in a different manner. The author believes this would place the contracted entity in an inefficient position.

f. Is There any Method to Quantify the Return on Investment?

The respondents reported no metrics or clear analysis as to the value of using program resources for contracted technical support services. As described numerous times throughout this thesis, a formal and achievable quality assurance program is a fundamental premise of PBSA. The author concludes a QAP would provide base data to evaluate a return on investment, yet there appears to be a lack of understanding on writing and monitoring one, which is effective.

g. How Have/Will Either of (PBSA or MACs) Effect Program Execution or How You Perform Your Job?

There were several salient points in the responses which merit attention. The author believes that the 18 percent who indicated in Chapter V "no effect on the program execution or job performance" was an indication of the lack of understanding of what PBSA and MACs entail, particularly in the pre-award stage. This is when a significant amount of work is necessary to ensure clear articulation of the requirements and the QAP to which the contractor will be measured.

One comment introduced the challenge of Organizational Conflict of Interest, in that "contractor personnel involved in developing and maintaining spend plans are employees of the companies that bid on the

proposals." The dilemma is that the Government must ensure, both in actuality and in perception, that any MAC is in fact an open and equitable competition. If one party who bids on work has prior access and knowledge of the program's funding and contracting plans, it clearly could compromise the integrity of a "level playing field".

The author gives much credence to the input found on page 39. The respondent details the difficulty and amount of effort involved with PBSA for mess attendant services, a requirement with "very predictable requirements and very structured inspection process." Having the prior experience with an environment which lends itself to PBSA, the respondent continues with much pessimism as to the success of "...applying objective performance measurements to very subjective efforts..." in using PBSA for professional support services.

2. Industry Respondents

a. How is the Decision Made by Government to Utilize These Services, to the Extent and for the Purposes It Does?

As noted in Chapter IV, the author found it curious that, while Government respondents interpreted the question as it was intended, industry respondents almost universally interpreted it as an inquiry as to why the respondent's company was awarded a contract. The intent of the question was to investigate whether the industry representative was aware of the Government's analysis leading to its decision to outsource the work, but apparently was not recognized by the respondents. When put in context with the other industry responses, the author

concludes this might exemplify industry's lack of understanding or confidence in Government's program management.

b. What Government Process are You Aware of to Re-examine the Need and Usage Your Services?

Where 82 percent of the Government respondents reported in Chapter V that a review is conducted at least annually to assess the need for contractor support, industry was evenly split as to whether this occurred. The majority of those who responded in the affirmative referenced an annual review, as did the Government respondents. The words "inept" and "best guesses/intuitions" are of note. The one input which cited measurable and specific reductions, which might indicate a clear methodology, is then derailed in that there was "...no justification...except that it is about a 40 percent reduction...".

The author concludes this is an area wherein the Government might either improve its process, or, if the processes are in place, do better in conveying its methodology.

c. How Do You Evaluate the Success of Those Services and the Benefit to the Government? How Does the Government Convey That Level of Success to You as the Performer?

There was one reference to a "Quality Assurance Program", but the author believes this indicated a corporate program vice a formal Quality Assurance Plan within a PBSA contract or task. As with the analysis of the Government responses, the author concludes there is much need to improvement the writing, use and monitoring of QAPs.

The author also notes that industry respondents did not articulate the same conflict in behavior between prescribed strategy and actual execution that the Government respondents indicated. In view of the obvious candor of the inputs, this absence is of interest.

This is another area where the author concludes the Government might either improve its process, or, if the processes are in place, do better in conveying its methodology.

d. How Have/Will Either of (PBSA Or MACs) Effect Your Decisions on What Tasks to Compete for or How You Perform Your Job?

With exception of the one reference to B&P costs, there was minimal tangible, quantifiable impact cited. The author believes this is a significant oversight on behalf of both industry and Government. MACs require strategic and aggressive responses by industry, and PBSA requires a skilled proposal management workforce to knowledgably respond to the work statement and ask necessary clarifying questions. Further, industry is competing with Government for the same pool of skilled acquisition professionals, especially in light of a high number of Government retirements. The author concludes this potentially could result in a situation where industry salaries are driven upward, while Government is creating an ever-increasing competitive environment where cost control is rewarded. The author further concludes there is an inherent conflict when market forces drive up salaries and thus costs, and competition for contract awards is fostered in an effort to keep costs down.

The candor on the survey responses, paralleled with review and research of current publications, lead to several conclusions:

1. There is managerial commitment to execute PBSA and MAC mandates by the representative organizations. This is evidenced by the broad scale inclusion of the concepts into the contracting strategies.

2. Organizational behavior with the Government does not demonstrate adoption of these concepts. "Level-of-effort" behavior continues regardless of the contracting concept. This means that, although metrics might indicate usage of the contracts might be increasing, there is significant opportunity lost in obtaining the desired results and benefits.

3. The challenge of instituting and quantifying the impact of PBSA and MACs in a professional services environment has not been addressed to the degree necessary to allow and encourage proper execution by Government and industry personnel.

4. There is genuine naivety and confusion as to a "proper" Government/industry working relationship.

5. There is further complication when Government and industry personnel are collocated on a daily basis, as is common in a professional office environment. This greatly diminishes the ability to effect a clear delineation between the roles of the two workforces and the ability perform a true PBSA relationship.

6. The ability to write, monitor, and interpret an effective QAP is lacking.

7. In several areas, there is a lack in communicating that Government is effectively invoking and executing these processes, in the instances when this does occur.

8. These factors contribute to conflicting messages to industry, which again leads to inefficiency and loss of opportunity in obtaining the desired results and benefits.

9. There was an absence of reference to the financial impact on industry

C. RECOMMENDATIONS

Through the research conducted in the previous chapters the following recommendations are suggested:

1. In addition to mandating the use of PBSA and MACs, organizational management should demonstrate the desired behavior and results. This would entail handling the pre-award of such contracts, followed by post-award execution "by the book", vice level of effort support.

2. In event of conflicting communication from the Government, the establishment of industry recourse with no retribution, such as use of a contract ombudsman, could be an avenue to behavior modification. Specifically, on occasions when a PBSA contract is awarded and the awardee is not given the latitude to execute in a PBSA manner (i.e., to determine by itself the methods and means to achieve successful results), a strong and well respected, but savvy and tactful ombudsman could help navigate the situation to the satisfaction and benefit of both parties.

3. A lack of pertinent and specific training is an underlying and recurring message. Although training opportunities are on the rise, particularly through the Defense Acquisition University (DAU), there is a critical need to give the particular knowledge necessary for program office, contracting, administering personnel to competently perform pre- and post-award functions, along with assisting co-workers through the processes. A challenge is in the timing of such training: too early or generic makes the material stale or not applicable to the instant requirement, yet the flurry and demands of pre-award requirements do not allow attention to be diverted from the tasks at hand. This is exasperated by the downsizing of the Government workforce, one of the driving factors which led to the current environment of contracting, as discussed in Chapter II. It is possible for a wider range of application and accessibility in training opportunities might further aid the workforce in meeting the challenges of PBSA and MACs.

4. Identification and establishment of viable and pertinent metrics is a challenge, but would be a fuller indicator of success. Whereas the mere number of PBSA and MAC contracts gives a data point, a quantification and qualification of the trends and resultant change would fill out the picture. As evidenced by the survey results, behavioral change must follow the mandated actions. The author particularly recommends a measure of the cost in time, effort or funds, of implementing PBSA and MACs to evaluate the true value and benefit of this change.

5. The author is also curious as to the development, usage, and surveillance of Quality Assurance Plans (QAPs). The survey results indicated a marked lack of recognition from both Government and industry as to the importance and potential of QAPs in the successful performance of PBSA contracts. Although the incorporation of a QAP is necessary to the contract or task award, little reference to post-award surveillance was presented, which indicates a significant area for improvement.

D. CHAPTER SUMMARY

This chapter reviewed the survey inputs and identified conflicts and gaps in the responses. A conflict would be the result of opposing or significantly differing observations from the two respondent populations. One possible explanation is inadequate communication as to the subject matter or process. A parallel explanation is cognitive dissonance, which should be recognized and might be readily corrected. A gap indicates a more significant problem, in that neither group recognized or interpreted a subject matter that could reasonably be expected to be known or understood. The absence of reference to surveillance and enforcement of QAPs is one example of a gap. These areas might be addressed with wider-spread, more accessible and specific training, and merits more study and research. These issues were discussed as recommendations in this chapter.

THIS PAGE INTENTIONALLY LEFT BLANK

APPENDIX A. SURVEY

A. FOR GOVERNMENT RESPONDENTS

1. Do you utilize technical support contractor services?
2. If so, for what functions or in what capacity?
3. How is the decision made by Government to utilize these services, to the extent and for the purposes it does?
4. What are the differences between Government and industry work product?
5. What is the process and frequency to re-examine the need and usage for contractors?
6. How do you obtain contractor support?
7. How do you interact with those personnel and receive the specified services and deliverables?
8. How do you evaluate the success of those services and the benefit to the Government? How do you convey that level of success to the performer?
9. Is there any method to quantify the return on investment?
10. What other experiences do you have with contracted technical support? (For example, under what situations or through what types of contracts?)
11. Are you familiar with Performance Based Services Contracts or Multiple Award Contracts?
12. How have/will either of these contract methods effect program execution or how you perform your job?
13. Is there quantification as to the effect these contract methods has or will have on your program office?

B. FOR INDUSTRY RESPONDENTS

1. What extent of your business is with Federal Government, specifically with Dept of Defense?
2. Is your company large or small business?
3. What types of technical support services do you provide? (what functions or in what capacity)
4. How is the decision made by Government to utilize these services, to the extent and for the purposes it does?
5. What are the differences between Government and industry work product?
6. What Government process are you aware of to re-examine the need and usage for your services?
7. How do you interact with the pertinent Government personnel and provide the specified services and deliverables?
8. How do you evaluate the success of those services and the benefit to the Government?
9. How does Government convey that level of success to you as the performer?
10. What other experiences do you have with providing contracted technical support? (For example, under what situations or through what types of contracts?)
11. Are you familiar with Performance Based Services Contracts or Multiple Award Contracts?
12. How have/will either of these contract methods effect your decisions on what tasks to compete for or how you perform your job?
13. Is there quantification as to the effect these contract methods has or will have on your company?

APPENDIX B. GLOSSARY

B&P Bid and Proposal

BRAC Base Realignment and Closure

C4ISR Command, Control, Communications, Computers,
Intelligence, Surveillance and Reconnaissance

COR Contracting Officer's Representative

CPAF Cost Plus Award Fee

CPAR Contractor Performance Appraisal Report

CPFF Cost Plus Fixed Fee

CPIF Cost Plus Incentive Fee

DAWIA Defense Acquisition Workforce Improvement
Act

DoD Department of Defense

DSMC Defense Services Military College

FFP Firm Fixed Price

FPIF Fixed Price Incentive Fee

FTE Full Time Equivalent

IDIQ Indefinite Delivery Indefinite Quantity

MAC Multiple Award Contract

NPR National Performance Review

PBC Performance Based Contracting

QDR Quadrennial Defense Review

PBSA Performance Based Service Acquisition

ROI Return on Investment

SOW Statement of Work

TPOC Technical Point of Contact

WBS Work Breakdown Schedule

LIST OF REFERENCES

1. Office of Management and Budget, Office of Federal Procurement Policy, *A Guide to Best Practices for Performance-Based Service Contracting*, October 1998
2. Office of Management and Budget, Office of Federal Procurement Policy, *Policy Letter 91-2*, April 1991
3. *Government Performance and Results Act of 1993*
4. Office of Management and Budget, Office of Federal Procurement Policy, *Performance-Based Service Contracting Pledge*, October 1994
5. Office of Management and Budget, Office of Federal Procurement Policy, *Performance-Based Service contracting Checklist Memorandum*, August 1997
6. Federal Acquisition Circular (FAC) 97-01, October 21, 1997
7. Office of Management and Budget, Office of Federal Procurement Policy, *Report on Performance-Based Service Contracting Pilot Project*, May 1998
8. Office of the Deputy Under Secretary of Defense for Acquisition Reform, *"User's Guide to Performance-Based Payments"*, January 22, 2001
9. Office of the Under Secretary of Defense for Acquisition, Technology & Logistics (Defense Procurement and Acquisition Policy), *"A Guide to Collection and Use of Past Performance Information, Version 3"*, May 2003
10. Fuhs, James W. *How the Implementation of Performance Base Contracting has Affected Program Management within the Department of Defense*, Master's Thesis, Naval Postgraduate School, Monterey, California, December 1998.
11. Office of the Deputy Under Secretary of Defense for Acquisition Reform, *"Guidebook for Performance-Based Services Acquisition (PBSA) in the Department of Defense"*, March 2001

12. Office of Management and Budget, Office of Federal Procurement Policy, *Performance-Based Service Acquisition: Contracting for the Future*, July 2003
13. Office of Management and Budget, Office of Federal Procurement Policy, *Information on Best Practices for Performance-Based Service Contracting*, October 1998
14. Renegar, Michael L., *Guidance for Transitioning to Performance-Based Service Contracting: A Guide for Department of Defense Field Contracting Activities*. Master's Thesis, Naval Postgraduate School, Monterey, California, June 2000.
15. DoD IG Audit Report No. 99-116, *DoD Use of Multiple Award Task Order Contracts*, September 30, 2001
16. OMB Memorandum Bulletin 01-07, *Performance Goals and Management Initiatives for the FY 2002 Budget*. March 9, 2001
17. Federal Acquisition Circular (FAC) 97-25, *Preference for Performance Based Contracting*, May 2001.
18. Federal Acquisition Circular (FAC) 2001-07, *Preference for Performance Based Contracting*, April 2002
19. GAO-02-1049, Report to the Chairman, Subcommittee on Technology and Procurement Policy, Committee on Government Reform, House of Representatives, *Contract Management: Guidance Needed for Using Performance Based Service Contracting*, September 2002
20. National Defense Authorization Act for FY 2002, Section 801-903
21. USD(AT&L) Memorandum, *Acquisition of Services*, May 31, 2002.
22. DASN (RDA) Memorandum, *Acquisition of Services*, 10 March 2003.
23. Kimberly Palmer, "Training in Performance-Based Contracting on the Rise", *GovExec.com*, 11 July 2005

24. Kimberly Palmer, "Contracting Offices Need More Help, Panelists Charge", *GovExec.com*, 12 July 2005
25. Kimberly Palmer, "Performance-Based Contracting 'not working', Industry Leader Says", *GovExec.com*, 17 May 2005
26. Kimberly Palmer, "Report: Defense Service Contract Oversight Falls Short", *GovExec.com*, 21 March 2005
27. Kimberly Palmer, "Consultant Urges Performance-Based Contracting", *GovExec.com*, 4 April 2005
28. Jason Peckenpaugh, "Focus of New Acquisition Panel Debated", *GovExec.com*, February 17, 2004
29. Shane Harris, "Audit Finds Millions Inn Procurement Waste and Abuse at GSA Unit", *GovExec.com*, January 9, 2004
30. Amelia Gruber, "Defense Urged to Promote More Competition on Task Orders", *GovExec.com*, August 11, 2004
31. Melissa D. Rider, "Acquiring Services Using Multiple Award Instruments Under Section 803", October 25, 2002
32. Office of Assistant Secretary of the Navy (RD&A), NAVSO P-3686, *Top Eleven Ways to Manage Technical Risk*, October 1998
33. Jason Miller, "GSA Pushes Agencies to Use More Performance-Based Contracts", *Government Computer News*, Volume 23 No. 33, November 29, 2004
34. Office of the Assistance Secretary of Defense for Economic Security, SD-15, *Performance Specification Guide*, June 29, 1995
35. Office of Management and Budget, "Performance-Based Service Contracting Checklist", August 8, 1997
36. GAO-04-874, "Contract Management: Guidance Needed to Promote Competition for Defense Task Orders", July 2004

37. GAO-02-1049, "Contract Management: Guidance Needed for Using Performance-Based Service Contracting", September 2002
38. Melissa D. Rider, "New Rules for Buying Services From Multiple Award Contracts", May 1, 2002
39. "Details of the New Procurement Law", GovExec.com, May 15, 1999
40. Steven L. Schooner, "Mismanaged Competition", GovExec.Com, May 15, 2004
41. Allan V. Burman, "What Price Performance", GovExec.com, September 1, 2002
42. Allan V. Burman, "Performance-Based Pointers", GovExec.com, July 1, 2001
43. Steven Kelman, "Next Steps in Procurement Reform", GovExec.com, August 1, 1998
44. Jason Peckenpaugh, "In A First, Bush Budget Links Funding to Program Performance", GovExec.com, February 4, 2002
45. Brian Friel, "OMB Touts Performance-Based Contracting", GovExec.com, June 8, 1998
46. Jason Peckenpaugh, "Pentagon Unveils New Guidebook on Performance-Based Contracting", GovExec.com, February 1, 2001
47. Jason Peckenpaugh, "Procurement Chiefs Want New Guidance on Performance-Based Contracts", GovExec.com, April 26, 2001
48. Jason Peckenpaugh, "OMB Memo Boosts Performance-Based Contracts", GovExec.com, March 21, 2001
49. Keith F. Snider, "DAWIA and the Price of Professionalism", Acquisition Review Quarterly, Fall 1996
50. Written Testimony of Danielle Brian, Executive Director of Project on Government Oversight, House

Government Reform Subcommittee on Technology and Procurement Policy, Legislative Hearing on H.R. 3832, The Services Acquisition Reform Act of 2002 (SARA), March 7, 2002

51. GAO, Commercial Activities Panel, *"Current Condition of Federal Contracting"*, May 8, 2001

52. Association of Proposal Management Professionals, *"US Department of Defense B&P Expenditures on the Rise: What Does it Mean?"*, by Chuck DeVore and Tyson Moler, Fall/Winter 2002

53. GAO-05-629T, Statement of David M. Walker, Comptroller General of the United States, *"Defense Management: Key Elements Needed to Successfully Transform DoD Business Operations"*, April 28, 2005

54. David M. Walker, Comptroller General of the United States, *"FY 2004 Transitions and Transformations in the Federal Government"*, July 26, 2004

55. The Henry L. Stimson Center, *"Following the Money: The Bush Administration FY 03 Budget Request and Current Funding for Selected Defense, State, and Energy Department Programs"*, Elizabeth Turpen and Victoria K. Holt with Christopher Clary and Moira K. Shanahan, April 24, 2002

56. GAO, Commercial Activities Panel, *"A76 Issues at the Department of Defense"*, May 8, 2001

THIS PAGE INTENTIONALLY LEFT BLANK

INITIAL DISTRIBUTION LIST

1. Defense Technical Information Center
Ft. Belvoir, Virginia
2. Dudley Knox Library
Naval Postgraduate School
Monterey, California
3. Brad Naegle
Naval Postgraduate School
Monterey, California
4. Marshal Engelbeck
Naval Postgraduate School
Monterey, California
5. Dr. Walter E. Owen
Naval Postgraduate School
Monterey, California
6. Janine La Bastille
Chula Vista, California